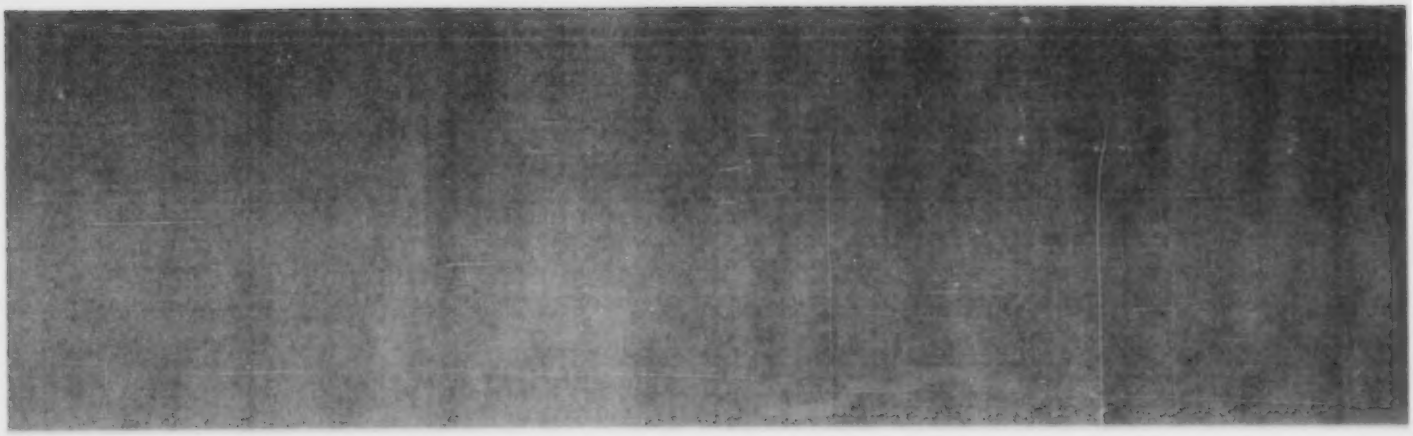
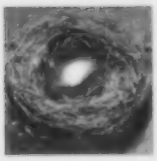
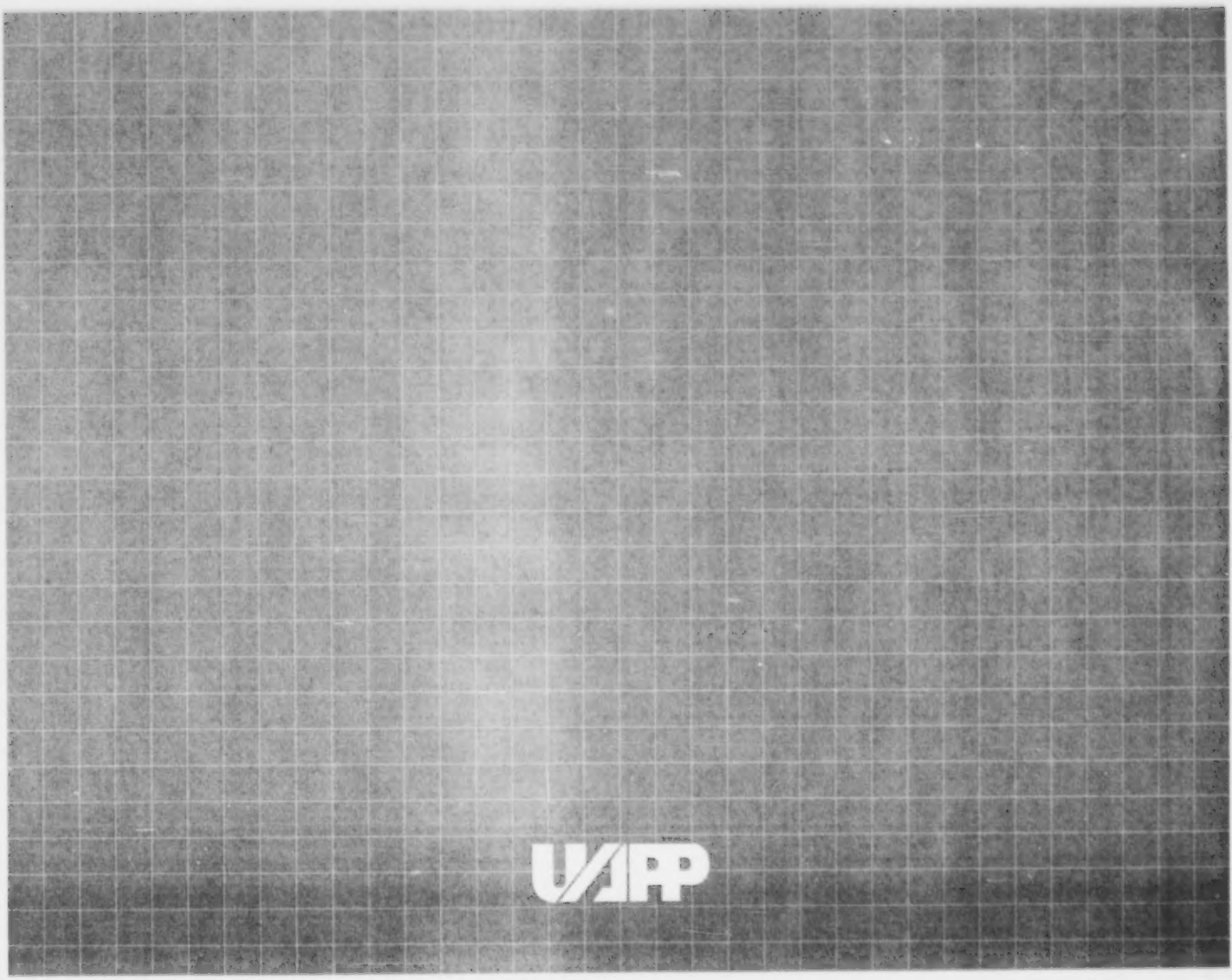




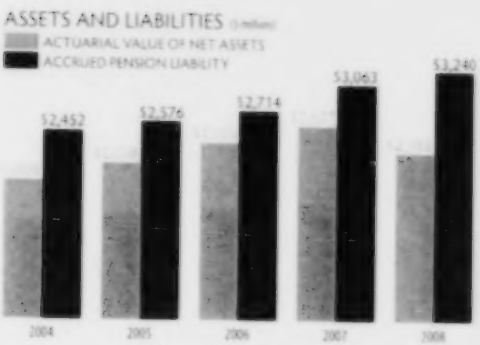
Universities Academic Pension Plan | 2008 Annual Report



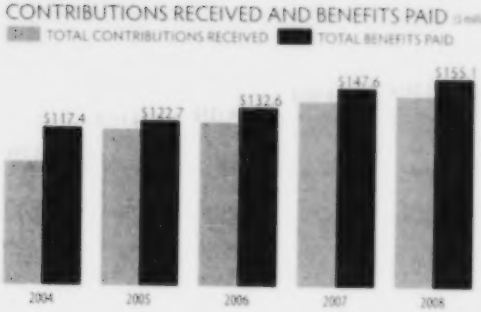
PLAN HIGHLIGHTS

MEMBER AND PENSIONER STATISTICS

ASSETS AND LIABILITIES ($ millions)



CONTRIBUTIONS RECEIVED AND BENEFITS PAID ($ millions)



ASSETS AND LIABILITIES SUMMARY ($ millions)

AS AT DECEMBER 31

	2008	2007
Net investments	$ 1,972	$ 2,502
Net receivable	15	8
Net assets	1,987	2,510
Actuarial adjustment for fluctuation in fair value of net assets	198	17
Actuarial value of net assets	2,185	2,527
Actuarial deficiency	1,055	536
Accrued pension liability	$ 3,240	$ 3,063

PROFILE

The Universities Academic Pension Plan (UAPP) was established in 1978 as a defined benefit pension plan for members of the academic and professional staff of Alberta universities and The Banff Centre for Continuing Education. The UAPP was set up under the *Public Sector Pension Plans Act* (Alberta) and the Provincial Treasurer was the trustee until December 31, 2000.

The UAPP became an independent pension plan registered under the *Employment Pension Plans Act* (Alberta) and the *Income Tax Act* (Canada) as of January 1, 2001. The UAPP is now established under the Sponsorship and Trust Agreement signed by the academic staff associations and the boards of governors of four Alberta universities and The Banff Centre for Continuing Education as Sponsors.

- The Board of Trustees, as established under the Sponsorship and Trust Agreement, became the Trustee of the UAPP as of January 1, 2001.
- The UAPP has approximately 7,340 active members, 1,160 deferred members and 3,470 pensioners.
- The UAPP Fund's assets were valued at $1,987 million at the end of 2008.

TABLE OF CONTENTS

2 Governance of the Plan

4 A Message from the Chair

6 Management Discussion and Analysis

- 6 Financial Position of the Plan
- 9 Investment Report
- 19 Administration Report

22 Management's Responsibility for Financial Reporting

22 Auditors' Report

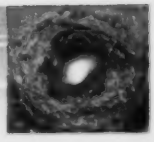
23 Financial Statements

- 25 Notes to the Financial Statements

38 Glossary

inside back cover 2009 Directory

ISSN 0842-2788 • Published by the Board of Trustees of the Universities Academic Pension Plan • Edmonton, Alberta • March 2009



BOARD COMPOSITION

The Board of Trustees (Board) of the UAPP oversees the Plan. The Board is composed of five employer trustees and four employee trustees. However, the total votes carried by the employer trustees are the same as the votes carried by the employee trustees. The offices of Chair and Vice-Chair alternate every two years between employer and employee trustees.

BOARD MANDATE

The Board is responsible for administration of the UAPP, investment of UAPP funds, setting contribution rates required to fund the UAPP and assisting Sponsors in developing appropriate changes to the UAPP. In carrying out its mandate, the Board is assisted by a small management team.

MISSION

It is the mission of the Board to deliver on its mandate in a manner that is consistent with:

- high quality services to the UAPP and members,
- prudent investment of the Fund,
- seeking stable contribution rates within the funding requirements of the EPPA,
- best practices in pension plan governance and management, and
- all applicable rules, laws and regulations.

VALUES

In carrying out its mission, the Board is guided by the following values:

- work in full partnership with Sponsors,
- be member/stakeholder focused,
- be open, accountable and responsible for its actions,
- conduct UAPP business with trust, fairness and integrity,
- adhere to the highest ethical standards,
- value and treat its employees as a vital resource, and
- learn, adapt and change to conduct the UAPP business better.

BOARD OF TRUSTEES – 2008

EMPLOYER APPOINTEES

Phyllis Clark, BA, MA (Vice-Chair) University of Alberta
Pat Eagar, CMA, MBA Athabasca University
Art Nutt, CGA The Banff Centre for Continuing Education
Gail Stephens, CGA University of Calgary
Nancy Walker, MBA, CA University of Lethbridge

EMPLOYEE APPOINTEES

Daniel Furgason, BSc University of Lethbridge
Mazi Shirvani, PhD (Chair) University of Alberta
Anne Stalker, B.A.(Hon.), LL.B.(Qu.) University of Calgary
Zengxiang (Eric) Wang, PhD Athabasca University

L to R:
Phyllis Clark, Art Nutt, Anne Stalker, Virendra Gupta, Nancy Walker, Mazi Shirvani, Gail Stephens, Dan Furgason, Pat Eagar, Eric Wang

PENSION BENEFITS ADMINISTRATION SERVICES PROVIDER

Buck Consultants, an ACS Company (ACS/Buck)

MEMBER PENSION INQUIRIES

95 Wellington Street West • Suite 1500 • Toronto ON M5J 2N7
Attn: UAPP Administrator
Phone: 1-866-709-2092
Email: uappadmin@acs-hro.com

PENSIONER PAYROLL

CIBC Mellon Global Securities Services Company

PENSIONER PAYROLL INQUIRIES

CIBC Mellon Pension Benefits Department
PO Box 5858, Station B • London ON N6A 6H2
Phone: 1-800-565-0479
www.CIBCMellon.com

INVESTMENT MANAGEMENT

Alberta Investment Management Corporation (AIMCo)

ASSET CONSULTANTS

Aon Consulting Inc.

ACTUARY

Mercer

AUDITOR

KPMG LLP

COMMITTEES OF THE BOARD

ACTUARIAL COMMITTEE

Phyllis Clark
Pat Eagar
Mazi Shirvani (Chair)

AUDIT COMMITTEE

Auke Elzinga, FCA
Art Nutt (Chair)
Eric Wang

INVESTMENT COMMITTEE

Ron Bercov, PhD
Dan Furgason (Chair)
Bob Hager, retired Chair of Phillips Hager North, Vancouver
Bob Normand, retired President & CEO of ATB Financial, Edmonton

EXECUTIVE DIRECTOR

Virendra Gupta, MASc, CFA

A MESSAGE FROM THE CHAIR

The main message of this Annual Report is that 2008 was a highly unusual and tough year for the Plan. The investment loss of 20.4% deteriorated the Plan's financial position. In order to keep the Plan on a sound financial track and secure the benefits under the Plan, the Board increased contributions and decided to undertake an actuarial assessment of the Plan's financial position. The Board is prepared to take further action as necessary to meet the Plan's funding needs. Since the Plan's benefit design is solely within the purview of the Plan Sponsors (the five Boards of Governors and the four Faculty Associations), adjustments to contribution rates is the only tool available to the Board to deal with this type of situation in the short term. Beyond these actions, the Board will continue to look for opportunities to improve the return/risk profile of the UAPP Fund.

Though nobody knows the near-term course of capital markets, it should perhaps be noted that, historically speaking, the market collapse of 2008 was a rare event – some analysts have called it a once-in-a-hundred-year event. Markets have gone down before only to go up again as confidence and optimism returned. Therefore, it is important to keep the events of 2008 in perspective.

Though the magnitude might vary somewhat, the UAPP is not alone in having to make up the large losses of 2008. Practically all final-average-salary, defined-benefit plans can be expected to be in a similar situation. Like most pension plans, the UAPP relies on its diversified portfolio of investments to deliver the expected return in the long run. The Plan's contribution rates are predicated on that assumption. The UAPP participates in equity markets across the globe. These markets historically have been more volatile than the bond markets. But they also have higher expected returns because of the risks associated with them. Relying only on bond markets, given the current low yields on bonds, would require substantially higher contribution rates under the Plan.

The Plan's long-term financial health depends on good markets. The Board will continue to monitor market developments and look for opportunities. The Board will examine and adjust its asset mix where necessary to take advantage of opportunities that suit the Plan's return/risk profile.

Last year, the Board conducted an administration review of the UAPP to clarify the roles of various parties in pension administration and streamline the processes and procedures involved in the delivery of pension services. During 2008, an ad hoc Administration Committee met to study, assess the findings of, and, where appropriate, implement the recommendations in the administration review. As a result of the Committee's work, the Board approved several pension benefits administration documents as reference guides for

the staff involved in pension benefits administration. In addition, the Board set up a new pension benefits administration user group to help improve services to the members by building a common understanding among the persons involved in various settings in the administration of the UAPP.

The Board continues to work with Plan Sponsors on issues related to the Plan, particularly changes required to the Sponsorship and Trust Agreement (STA) and the unfunded liability for pre-1992 service. The Board also provides input and feedback to authorities on proposed regulatory changes.

Member communications are important to the Board. To keep members informed about the UAPP, information is provided to members through several channels, including regular publications and the website. We publish Communiqués quarterly to inform members on pension matters and related issues. Our website at www.uapp.ca provides comprehensive information on the UAPP. We are pleased that members are using our website in increasing numbers. The Board's goal is to reduce the use of paper by providing documents and information through the website. Web-based publications not only reduce costs but also can be made available earlier and revised more easily. A Retirement Planner that allows members to estimate their UAPP pension and potential income from other sources such as RRSPs and other savings can be accessed through our website.

On behalf of the UAPP, it is my pleasure to thank Ron Bercov, Bob Hager and Bob Normand as external members on the Investment Committee, and Auke Elzinga as an external member on the Audit Committee, who gave generously of their time to the UAPP. In March 2008, Auke Elzinga resigned from the Audit Committee; we are grateful for the knowledge and insights he shared with the Committee over the last six years.

Our relationship with the Alberta Investment Management Corporation (AIMCo) is critical to the effective implementation of the Board's investment policies. We want to thank Douglas Stratton, David Finstad, Gary Smith and other staff at AIMCo for their work during the year and we look forward to continuing a cooperative and mutually beneficial relationship.

I want to thank my colleagues on the Board for their service to the UAPP and for their personal support and guidance to me in my role as Chair.

The Board relies on a small team to carry out its mandate and related functions. On behalf of the Board, it is my great pleasure to thank our Executive Director, Virendra Gupta, and the rest of the Trustees' Office team for their excellent service and dedication to the UAPP.

M. Shirvani

Mazi Shirvani
Chair, Board of Trustees

FINANCIAL POSITION OF THE PLAN

The Plan's Assets

The value of the Plan's assets was $1,987 million at the end of 2008. This is a large decline from the Fund value of $2,510 million a year ago. The main reason for the decline was the negative return of 20.4% in 2008. 2008 was the first negative year after five consecutive positive years in which the Fund earned a compound annual return of 11%. While the decline in Fund value was primarily attributable to investment performance, benefit payments and expenses also exceeded contributions received by $15 million.

The negative Fund return reflected the difficult financial markets and disappointing economic conditions in 2008. Deteriorating market conditions and slowing economic growth carried over from 2007 into 2008. By the end of the summer in 2008, capital markets severely re-priced credit and equities across all markets. The Canadian equity market reached a high of 15,154.77 in June of 2008 and hit a low of 7,647.11 in November, a level not seen since September of 2003. This dramatic collapse in the Canadian equity market was mirrored by public equity markets across the globe. In the US, the spread in yield between the US treasury bonds and seasoned AAA bonds, as measured by Moody's, increased from 159 basis points at the beginning of the year to 263 basis points by the end of the year. This increase in credit spreads, or the interest differential between risky and risk-free bonds, impacted the price and availability of credit throughout the economy. 2008 saw extreme price swings in other areas as well. The price of oil opened the year at US$90, hit a high of US$140 and then declined to US$48 by yearend. The Canadian dollar, after trading at a premium relative to the US dollar in the closing months of 2007, dropped to 81 cents US at the end of 2008.

The Fund's performance was hurt by equity markets which declined anywhere from 22% to 42.2% across the globe. The impact of the decline in foreign markets was dampened to some degree by the Fund's unhedged exposure to the US dollar as the Canadian dollar declined 19% against the US dollar. Fixed income returns provided little cushion against falling equity markets. Government bonds had modest returns and corporate bonds, because of widening of credit spreads, had poor returns. Real estate, mortgages and private income returns were relatively strong but the Fund did not have enough of these assets to offset significantly the decline in equity markets.

Active management by AIMCo also detracted value from the Fund performance. AIMCo had added value over the years through credit exposure in the Fund. The sudden and large widening of credit spreads in 2008 hurt the Fund's performance as credit exposures were marked down.

The Plan's assets are also calculated on an actuarial value basis. The Fund uses a 3-year averaging of the differences between the rates of return assumed in the actuarial valuation and the market rates of return as described in Note 2(c) of the Financial Statements for calculating the actuarial value of the assets. The actuarial value of the Fund declined to $2,185 million in 2008 from $2,527 million at December 31, 2007. At the end of 2008, the actuarial value of the Fund is $198 million higher than the market value.

In order to reduce the impact of volatility of the Fund's market returns, the Plan uses the actuarial value of assets in determining funding and contribution requirements. It means that the Fund would build up a "smoothing reserve" in better-than-expected markets (2003-2006) and a "smoothing deficit" in worse-than-expected markets. After the last two years of poor markets, the Plan has a "smoothing deficit". This deficit will have to be made up by future market performance of the Fund.

	December 31, 2008			December 31, 2007		
($ millions)	Pre-92 Service	Post-91 Service	Total Service	Pre-92 Service	Post-91 Service	Total Service
Fair Value of Net Assets	851.7	1,134.8	1,986.5	1,179.3	1,330.7	2,510.0
Actuarial Adjustment	85.5	113.2	198.7	6.8	10.7	17.5
Actuarial Value of Net Assets	937.2	1,248.0	2,185.2	1,186.1	1,341.4	2,527.5
Accrued Pension Liability	1,689.7	1,551.0	3,240.7	1,687.4	1,375.9	3,063.3
Actuarial Deficiency	(752.5)	(303.0)	(1,055.5)	(501.3)	(34.5)	(535.8)
Funded Ratio on Actuarial Basis	55.5%	80.5%	67.4%	70.3%	97.5%	82.5%

SMOOTHING RESERVE OVER 10 YEARS
(ACTUARIAL ADJUSTMENT) ($ millions)

FUND ANNUAL RETURN OVER 10 YEARS

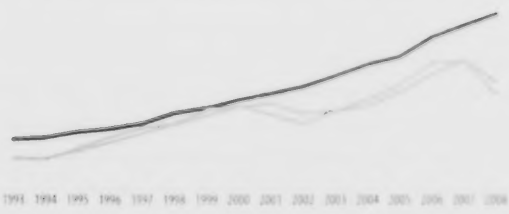
The Plan's Liabilities

The Plan's accrued liabilities as of December 31, 2008 are estimated at $3,240.7 million, a growth of 5.8% over the December 31, 2007 liability estimate of $3,063 million. The 2007 and 2008 liability numbers are based on an extrapolation by the actuary using the assumptions and methods employed in the December 31, 2006 valuation. Every actuarial valuation uses a number of assumptions about economic (inflation, interest rates, wage rates, equity risk premium, etc.) and demographic (life expectancy, termination rates) factors.

The valuation is used to establish the current service cost (the cost of an incremental year of service) as a percentage of payroll and the value of the accrued obligations to determine the unfunded liability and the additional contributions required to cover it. Unfunded liabilities can emerge if the Plan's actual experience is worse than assumed either on asset returns or on the growth of the liability.

The last full actuarial valuation was completed as at December 31, 2006. The Board is undertaking a new valuation based on Plan data as at December 31, 2008. The assumptions used in the 2006 valuation will be reviewed by the Board in light of the historical experience of the Plan and the advice of the Plan's actuary.

ACTUARIAL ASSETS AND LIABILITIES ($ millions)
LIABILITY — ADJUSTED ASSET — MARKET VALUE



The Plan's Funded Ratio

Due to a lower-than-assumed return on assets and the increase in the liability as extrapolated by the actuary, the Plan's funded ratio on a market-value basis in 2008 declined to 61.3% from 81.9% in 2007. The funded ratio on an actuarial-value-of-assets basis declined to 67.4% as compared to 82.5% reported in 2007. In terms of the pre-1992 and post-1991 periods of service, the funded status for the pre-1992 service is 55.5% while the funded status for the post-1991 service is 80.5%. The above funding ratios do not include the amount owed to the Plan by the Government of Alberta in respect of the liability for pre-1992 service. That amount is estimated to be about $225 million, about 13.3% of the pre-1992 liability or 7.0% of the total liability.

Funding is determined by actuarial valuations and, while the *Employment Pension Plans Act* requires the UAPP to perform an actuarial valuation at least once every three years to establish contributions rates, it has been the practice of the Board to undertake an actuarial valuation every two years. The next valuation will be as at December 31, 2008.

In order to shore up the Plan's finances, the Board has chosen not to wait for the valuation but to act now to increase contributions to the Plan based on the estimated funded ratio. When the actuarial valuation is completed, the Board will be in a position to assess what further contribution rate increases may be necessary.

Looking to the Future

The UAPP's benefits are based on final-average salary and have a built-in cost-of-living allowance equal to 60% of Alberta inflation. The UAPP Fund, in order to capture higher returns in the long term, is invested in a diversified portfolio across world markets. Since market returns are volatile, especially in the short term, and the UAPP benefits are pre-determined, some volatility in contribution rates is inevitable with the ups and downs of the capital markets, unless the Plan has a substantial surplus cushion.

Looking to the future, the liabilities of the Plan will continue to grow with inflation, growth in wages and improvements in life expectancy and as members accrue additional service each year. The present value of the liabilities, i.e., the money required to be set aside to meet and pay the future payments represented by these liabilities, depends on the discount rate or the rate expected to be earned by the Fund. The expectation for this rate tends to be pegged to prevailing long bond rates which have been quite low for the last several years and, with the monetary and fiscal stimulus currently provided by central banks and governments, can be expected to stay low in the near term. Back in 1993, long government of Canada bonds yielded over 7%. Today the same bond yields 3.5%. A 1% decline in the Plan's discount rate, while holding inflation and wage rates constant, is estimated to increase current service costs by 3.5% of salary and add $421 million to the accrued liability. Based on return expectations of the Plan's asset mix, the Plan uses a discount rate of 6.7%. Given the sensitivity of the Plan's costs, even a one-half of 1% lower rate would increase the Plan's costs and accrued liabilities substantially. To obtain a potentially higher rate of return, the Plan has to invest in equities. However, this comes with a higher risk that the Plan's asset returns would deviate from the expected return and occasionally, as in 2008, very substantially.

On the asset side, the UAPP's returns, like most other plans, critically depend on healthy markets. The near term outlook for markets remains cloudy. As we begin 2009, markets are still awaiting a strong, positive catalyst on the economic front to restore investor confidence and begin a recovery. Resolution of the credit crisis did not occur in 2008, and economic and market uncertainty has extended into 2009. Given the new appreciation of risk and the resulting declines in public equity markets, there is a possibility that the re-pricing of risk will be extended to real estate, infrastructure and private equity and that we will see weaker returns from these asset classes in 2009. So, there may still be more downside to come.

Looking at poor markets and a weak equity risk premium in recent years, one may extrapolate the current difficult conditions into the future. However, as indicated by the chart below, looking at 10 year holding periods, stocks since 1933 have outperformed long bonds over 70% of the time and, on average, stocks earned a premium of about 3.2%.

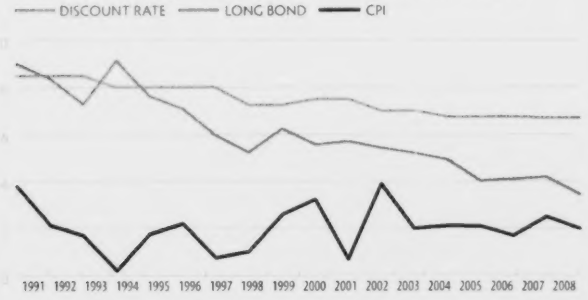
In response to the troubled financial institutions and the economic downturn, central banks and governments across the globe have announced massive monetary and fiscal stimuli. Short-term rates are extremely low; the US 90-day Treasury Bills ended 2008 with a yield of only 0.11%.

While people are trying to grapple with the historically bad news of 2008 and the uncertainty still surrounding the markets in 2009, it is perhaps important to remember that markets have been down before and, if history is any guide, they will turn up again.

To realize the reward of the Fund's equity exposures, the Plan has to accept a long-term investment horizon and remain disciplined as it navigates through punishing short-term markets.

The Plan's long-term health will begin to improve once financial markets settle down and begin to pay for the risk associated with the markets. In the meantime, the Board will continue to monitor developments and take action on the investment and contributions side as necessary to meet the funding requirements of the Plan in order to secure the benefits.

DISCOUNT RATE, LONG BOND YIELDS AND INFLATION



10 YEAR RETURN ON CANADIAN STOCKS LESS 10 YEAR RETURN ON LONG BONDS

INVESTMENT REPORT

Investment Considerations and Approach

In developing the UAPP's investment policy, several key factors have to be considered.

1. The investment returns earned by the Plan's investments impact the size of the Plan's assets and the contributions required from employers and employees to fund the Plan.
2. Asset classes with higher long-term returns tend to exhibit higher volatility (standard deviation) of returns. For example, historic data for Canadian equities and long bonds shows that the annual compound return for equities exceeded that of bonds by about 4% while the standard deviation of annual returns for equities was more than twice that of long bonds.
3. In setting the discount rate to estimate the present value of future payments (liability), actuaries are heavily influenced by the long bond rates prevailing at the time of an actuarial valuation.
4. The *Employment Pension Plans Act* requires the UAPP to perform an actuarial valuation at least once every three years and increase the contribution rates, if necessary, to meet the funding requirements. This underscores the importance of shorter-term results.
5. Asset returns vary from year to year and can be negative over short to medium time periods. On the other hand, liability estimates tend to go up steadily from one year to the next as members accrue more service and interest on the accumulated liability is added.
6. The volatility associated with equity markets can be partially offset by diversification through investment in asset classes whose returns have low correlation with equities and among themselves.
7. Plan sponsors and members are interested in taking advantage of the risk-sharing features of a defined benefit plan with a long time horizon in order to lower long-term costs of the Plan.
8. Given the current low yields on long bonds, the Plan has to take risks that come with equity investments in order to seek higher returns and keep the Plan's costs manageable.

These considerations require an investment approach that seeks to obtain higher long-term returns while containing the volatility in short-term results. This goal underlies the UAPP's investment policy and risk management measures.

Investment Policy

The UAPP's investment policies are based on the investment considerations, beliefs and expectations of the Board and are set out in the Statement of Investment Policies and Goals (SIP&G). The asset mix policy, or the Fund's long-term allocation to different asset classes, is a key component of the SIP&G. It is through the asset allocation decision that the Board diversifies its investments across asset classes and seeks a balance between the objective of higher long-term returns and the need to reduce shorter-term volatility in those returns.

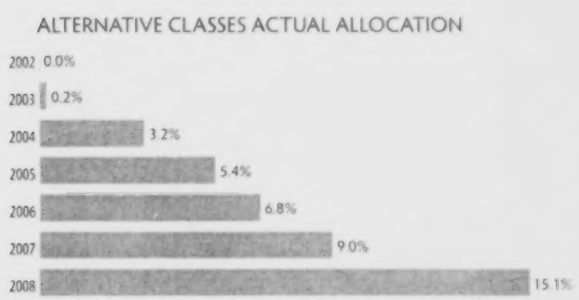
The Board, through its Investment Committee, monitors on an ongoing basis the performance of the Plan, the funded status of the Plan, capital markets and economic developments and expectations. Based on this monitoring, the Board may make adjustments to the asset mix and take other appropriate measures to control risk or improve returns. The Board reviews the SIP&G at least once a year.

The table summarizes the Board's current Long-term Target Asset Mix, Policy Asset Mix and Actual Asset Mix of investments for 2007 and 2008. The changes in the Policy Asset Mix from one year to the next shows the progress towards the Long-term Target Asset Mix as investments in alternative classes are increased and those in public markets are correspondingly reduced. A copy of the full text of the UAPP's SIP&G is available on the UAPP website **www.uapp.ca** under Publications.

	ASSET MIX			
	Long-term Target	Policy Asset Mix	Actual Asset Mix	
December 31, 2008	Asset Mix	2008	2008	2007
	%	%	%	%
Fixed Income				
Cash & Short-term	0.5	0.5	0.6	1.0
Universe Bonds and Mortgages	5.0	5.0	5.1	5.0
Long Duration Bonds	12.5	12.5	12.1	13.0
Real Return Bonds	7.0	7.5	7.8	8.4
	25.0	**25.5**	**25.6**	**27.4**
Public Equities				
Canadian	19.5	20.0	17.7	19.7
United States	19.0	19.5	19.2	19.9
Europe, Australasia, Far East	19.0	20.0	20.3	21.0
Emerging Markets	2.5	3.0	2.1	3.0
	60.0	**62.5**	**59.3**	**63.6**
Alternative Investments				
Real Estate	8.0	8.0	10.4	6.5
Private Income	4.0	3.0	3.1	2.1
Timberland	1.0	0.0	0.3	0.2
Absolute Return Strategies	2.0	1.0	1.3	0.2
	15.0	**12.0**	**15.1**	**9.0**
Total	**100.0**	**100.0**	**100.0**	**100.0**

As can be seen from the table on the previous page, the Plan holds a highly-diversified portfolio of investments in fixed income securities, Canadian, US and non-North American equities. This includes participation in both passively and actively-managed pooled investment funds. The exposure to these equity markets also includes investments in small cap stocks, which are actively-managed. The Plan's investment portfolio is exposed to credit risk through bond holdings, derivative products and mortgages. Based on the view that currencies are a zero sum game in the long run, currency exposure to non-Canadian markets is largely unhedged. Therefore, the returns from non-Canadian markets will be impacted by changes in the exchange value of the Canadian dollar.

Over the last several years, the UAPP has also allocated a higher portion of the Fund to alternative investments which include real estate, private income and timberland investments. These investments were made to diversify away from public markets and to maintain an inflation-sensitive stream of income reflective of the Plan's long-term funding requirements. The Plan's actual allocation to this category has now grown to over 15% of the Fund.



Investment Management

In addition to the risks associated with setting an asset mix, there is also the risk related to implementation of the investment policy. The UAPP Fund is invested through Alberta Investment Management Corporation (AIMCo), a provincial crown corporation reporting to the Minister of Finance and Enterprise. AIMCo invests the UAPP's assets, subject to the investment policies set out in the Board's SIP&G. AIMCo manages the majority of the Plan's investments internally through pooled investment funds. However, in order to achieve greater diversification, access specialized expertise and reduce operational complexity, some investments are managed by external investment managers selected and monitored by AIMCo. In total, AIMCo administers investment portfolios of approximately $70 billion on behalf of other public sector pension plans and the Government of Alberta.

To mitigate implementation risk, clearly-defined benchmarks, guidelines, standards and controls have been established at both the total Fund and asset class levels. AIMCo has the flexibility to act within the prescribed limits in order to add value over the policy. Both compliance with the SIP&G and performance against the specified benchmarks are monitored formally on a quarterly basis. The Board has retained an independent asset consultant, Aon Consulting Inc., to provide evaluation of both AIMCo and the external managers on a regular basis.

The relationship with AIMCo allows the UAPP to implement an investment program based on its investment beliefs and policies while benefiting from the economies of scale and the broad scope of investment possibilities that come with a large investment pool. This relationship helps lower the investment expenses of the Plan and provides access to a wider set of investment opportunities.

Proxy Voting

Proxy voting is an important tool in influencing corporate behaviour and governance. The Board delegates responsibility for proxy voting to AIMCo. Assets are managed in the best interests of beneficiaries. This principle governs the voting of proxies.

AIMCo had outsourced proxy voting for most of 2008 to ISS Governance Services (ISS) of RiskMetrics Group. Outsourcing provides a comprehensive, reliable voting platform and permits users to monitor and audit the work done on their behalf. AIMCo conducted a standard 'request-for-proposals' in 2008 to ensure that the proxy voting service employed by AIMCo is the best available. The contract winner was Glass Lewis, who commenced proxy services for AIMCo in December of 2008. Glass Lewis is a leader in proxy research and operations with a client base consisting of hundreds of money managers, mutual fund companies, plan sponsors and hedge funds across the globe. Glass Lewis does not provide consulting services to issuers or their directors, and therefore has no conflicts of interest while guaranteeing coverage of all companies in their client's portfolios in a standard universe that includes nearly 16,000 public companies across 65 countries. AIMCo retains the right to over-ride Glass Lewis should any vote appear to be contrary to AIMCo's own governance principles.

AIMCo monitors the opinions of peer organizations and the Canadian Coalition for Good Governance (CCGG) regarding potentially contentious issues and the governance practices of specific companies. AIMCo is also a member of the CCGG.

Risk Management System

AIMCo has developed a risk model to measure the market risks associated with investments for the UAPP. The risk model provides one more tool for monitoring risk to assist in future decisions on investment policies. During 2008, the Investment Committee considered the workings of the model and the Board adopted risk reporting requirements in the SIP&G.

Evaluating Investment Performance

A key assumption in calculating the Plan's liabilities is the long-term real rate of return or the return net of inflation. The estimated value of the Plan's liabilities is highly sensitive to this assumption. Over the last several valuations, the Plan's actuary has used a long-term real return rate of 4.0% in estimating the liabilities and, therefore, this number is the long-term investment return target for the Plan.

The Plan's investment performance can also be assessed in terms of whether investment managers are adding value above their respective benchmarks. In this case, the performance of the Plan is measured against a policy benchmark return calculated using the Plan's policy allocation to each asset class and the market index return for the specific class.

While investment performance can be compared to other funds, this comparison is meaningful only to the extent that the funds being compared have similar investment objectives, risks and constraints and policies. A fund that is 100% invested in fixed income, for example, does not provide a valid comparison to a fund that is 100% invested in equities.

2008 Investment Performance

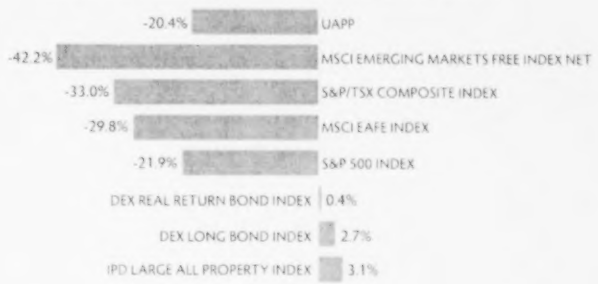
2008 was marked by highly volatile oil prices, an ongoing credit crisis originating with the US sub-prime mortgage market and a deepening global economic recession. These events led to a severe decline in equity markets in Canada and around the world. Over 59% of the Plan's assets are invested in equities. As a result, the Plan experienced a loss of 20.4% or $509 million, compared to a gain of 1.7% or $42 million in 2007 and 15.2% or $327 million in 2006. At December 31, 2008, the fair value of the Plan's net assets totalled $1.987 billion, down $523 million from $2.510 billion at the end of the previous year after accounting for an excess of pension benefits and other expenses over employee and employer contributions of $15 million.

CANADIAN VS. US DOLLAR

A weaker Canadian dollar in relation to other world currencies had a positive impact on the value of non-Canadian investments held by the Plan. At December 31, 2008, one US dollar was worth $1.22 Canadian compared to 99 cents Canadian at the beginning of the year. The weaker Canadian dollar helped offset losses from foreign equity investments.

The following chart summarizes the market returns in Canadian dollars from various indices around the world and the return of UAPP.

RETURNS FOR MAJOR MARKETS AND THE UAPP



All public equity markets were significantly down in 2008. The Emerging Markets Free Index Net declined by 42.2% in Canadian dollars compared to a gain of 18.2% last year.

The Canadian stock market posted a significant decline primarily due to the steep decline in commodity prices and continuing credit crisis. The Standard & Poor's Toronto Stock Exchange (S&P/TSX) Composite Index fell by 33.0% in 2008 compared to a gain of 9.8% in 2007, 17.3% in 2006 and 24.1% in 2005.

Outside of North America, the Morgan Stanley Capital International Index for Europe, Australasia, and the Far East (MSCI EAFE), tracks the performance of approximately 1,200 companies on 21 stock exchanges around the world. In Canadian dollars, the Index lost 29.8% in 2008 compared to a loss of 5.7% in 2007 and a gain of 26.3% in 2006.

The S&P 500 Index, which tracks the performance of the top 500 American companies, lost 37.0% in US dollars in 2008 compared to a gain of 5.5% in 2007 and 15.8% in 2006. However, when translated into the weaker Canadian dollar, the loss was 21.9% in 2008 compared to a loss of 10.6% in 2007 and a gain of 15.7% in 2006.

The Canadian real estate market, represented by the IPD Large Institutional All Property Index, increased by 3.1%, compared to an increase of 16.0% last year.

The long bond market, represented by the DEX Long Bond Index, posted a return of 2.7% in 2008, compared to 3.4% in 2007 and 4.1% in 2006.

The chart on the right compares the Plan's actual return over one year and annualized returns over four and eight years against the Plan's required long-term investment return (i.e., real rate of return of 4.0% plus inflation as measured by the Consumer Price Index (CPI)).

The Plan's annualized returns over four and eight years are 1.6% and 2.5% respectively. Over four and eight years, the Plan's actual investment return was less than the Plan's long-term expected return of CPI plus 4.0%. Perhaps it should be noted that the eight-year return covers a time period from the end of the tech bubble to the end of a very bad year.

ACTUAL RETURN VS. REQUIRED LONG-TERM RETURN OBJECTIVE

Actual Versus Policy Return

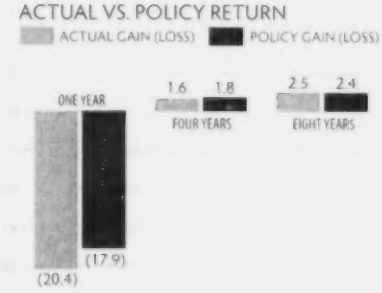
The past year was difficult for active management with the Fund underperforming its policy benchmark by 252 basis points. This loss in value-added comes after nine straight years in which AIMCo outperformed its benchmark on a net-of-fees basis.

2008 has significantly impacted the four and eight year numbers as well. On a net basis, after investment expenses, at the total Plan level, investment management value-added has gone from 60 basis points reported last year to 10 basis points on a compound annualized basis over the last eight years.

One of the main reasons for the Fund's poor performance relative to the benchmark was the Fund's exposure to credit. Not only did AIMCo have a significant allocation to corporate bonds in its fixed income products, but it also had an exposure to credit through its structured equity products. The negative impact of credit was due to the markdown of individual securities as a result of widening of spreads. This "mark-to-market" effect will be transitory if spreads narrow or as the individual securities mature at their par value. This loss will not be recovered in situations where the underlying security becomes impaired, defaults or is sold.

10 YEAR VALUE-ADDED

ACTUAL VS. POLICY RETURN

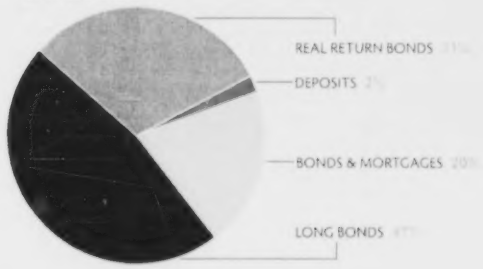


PERFORMANCE BY ASSET CLASS

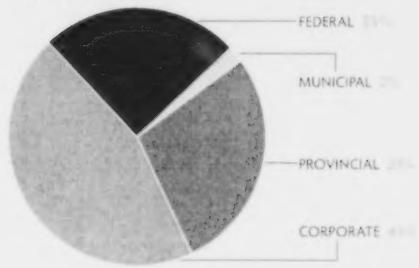
Fixed Income Investments

The UAPP's fixed income component includes cash, bonds and mortgages, long duration bonds and real return bonds, totaling 25.6% of total investments or $504 million at December 31, 2008 (27.4% or $685 million at December 31, 2007).

SUMMARY OF FIXED INCOME HOLDINGS
(BY TYPE OF SECURITY)



SUMMARY OF FIXED INCOME HOLDINGS
(ISSUED & GUARANTEED BY)



The table below shows the returns from the Plan's fixed income portfolio in 2008. Overall, total fixed income securities lost 1.1% in 2008, as compared to the benchmark gain of 2.9%. This difference in return mostly reflects the above-benchmark exposure to credit in both universe and long bond products.

	Actual Return	Combined Benchmark	Net Value Added (Lost)
Total Fixed Income	%	%	%
One year	(1.1)	2.9	(4.0)
Four year	4.1	5.2	(1.1)

	Actual Return	Benchmark Index DEX 91-Day T-Bill Index	Net Value Added (Lost)
Short-term Fixed Income	%	%	%
One year	7.1	3.3	3.8
Four year	6.0	3.6	2.4

	Actual Return*	Benchmark Index DEX Universe Bond Index	Net Value Added (Lost)
Universe Bonds	%	%	%
One year	5.0	6.4	(1.4)

*four year returns not applicable as investment started in April 2006

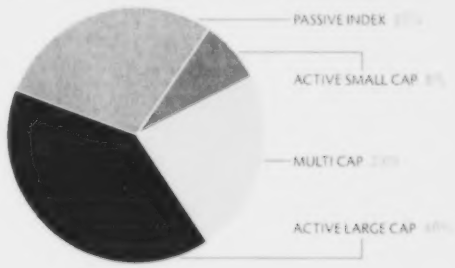
	Actual Return	Benchmark Index DEX Long Bond Index	Net Value Added (Lost)
Long Bonds	%	%	%
One year	(4.2)	2.7	(6.9)
Four year	3.9	5.9	(2.0)

	Actual Return	Benchmark Index DEX Real Return Bond Index	Net Value Added (Lost)
Real Return Bonds	%	%	%
One year	1.0	0.4	0.6
Four year	3.6	3.4	0.2

Canadian Equities

At December 31, 2008, Canadian public equities represented 17.7% of the Plan's total investments or $349 million, down from 19.7% or $493 million at the end of the previous year. Canadian equities are managed through several strategies including both indexed and active mandates. The large cap and small cap strategies actively managed by external managers comprise 40% and 8% of the Canadian equity portfolio respectively. AIMCo's internally-managed passive index strategy comprises 29% and the multi-cap strategy comprises 23% of the Canadian equity portfolio.

SUMMARY OF CANADIAN EQUITY HOLDINGS



...continued on page 14

Canadian Equities, continued...

Canadian Equity Holdings

By Industry Sector - %		2008	2007
1	Financials	27	29
2	Energy	25	24
3	Materials	14	15
4	Industrials	9	8
5	Consumer Discretionary	8	8
6	Telecommunications	6	6
7	Consumer Staples	5	3
8	Information Technology	3	5
9	Utilities	2	1
10	Health Care	1	1
		100	100

The overall loss from Canadian equity investments was 33.8% in 2008, 0.3% less than the combined benchmark loss of 34.1%.

	Actual Return	Combined Benchmark	Net Value Added (Lost)
Total Canadian Equities	%	%	%
One year	(33.8)	(34.1)	0.3
Four year	2.1	1.1	1.0

	Actual Return	Benchmark Index S&P/TSX Capped Composite	Net Value Added (Lost)
Canadian Large-Cap Equities	%	%	%
One year	(32.6)	(33.0)	0.4
Four year	2.3	1.7	0.6

	Actual Return	Benchmark Index NB Small Cap Index	Net Value Added (Lost)
Canadian Small-Cap Equities	%	%	%
One year	(43.0)	(46.6)	3.6
Four year	(2.5)	(6.6)	4.1

US Public Equities

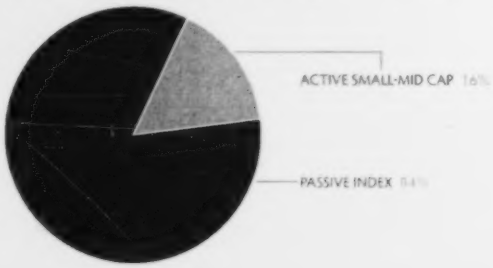
At December 31, 2008, US public equities comprised 19.2% of the Plan's total investments or $379 million, down from 19.9% or $498 million the previous year. 84% of the US portfolio is comprised of internal passive index strategies while 16% is managed by small-mid cap external managers.

United States Equity Holdings

By Industry Sector - %		2008	2007
1	Information Technology	16	17
2	Health Care	15	12
3	Financials	14	18
4	Industrials	12	12
5	Energy	12	12
6	Consumer Staples	11	9
7	Consumer Discretionary	9	9
8	Utilities	4	4
9	Materials	4	4
10	Telecommunications	3	3
		100	100

The overall loss from US equity investments was 28.6% in 2008, 6.8% more than the combined benchmark loss of 21.8%. The net value lost (6.8%) is mainly the result of AIMCo's internal strategies which had substantial exposure to credit in their structures.

SUMMARY OF UNITED STATES EQUITY HOLDINGS



	Actual Return	Combined Benchmark	Net Value Added (Lost)
Total US Equities	%	%	%
One year	(28.6)	(21.8)	(6.8)
Four year	(6.7)	(4.8)	(1.9)

	Actual Return	Benchmark Index S&P 500 Index	Net Value Added (Lost)
US Large Cap Equities	%	%	%
One year	(30.0)	(21.9)	(8.1)
Four year	(7.8)	(4.8)	(3.0)

	Actual Return	Benchmark Index Russell 2500 Index	Net Value Added (Lost)
US Small-mid Cap Equities	%	%	%
One year	(20.9)	(21.7)	0.8
Four year	(0.8)	(4.9)	4.1

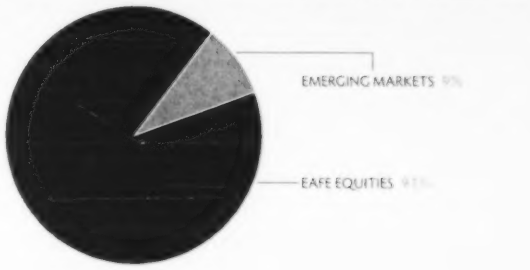
Non-North American Equities

The Plan's non-North American exposure comprised 22.4% or $442 million of total Plan investments at December 31, 2008, down from 24.0% or $599 million the previous year. The non-North American equity portfolio is comprised of both active and passive strategies in Europe, Australasia and the Far East (EAFE) (91%) and actively-managed strategies in Emerging Markets (9%).

Non-North American Equity Holdings

By Industry Sector - %		2008	2007
1	Financials	21	23
2	Industrials	11	14
3	Consumer Staples	11	7
4	Health Care	11	7
5	Energy	10	9
6	Consumer Discretionary	9	11
7	Telecommunications	9	8
8	Materials	6	9
9	Information Technology	6	7
10	Utilities	6	5
		100	100

SUMMARY OF NON-NORTH AMERICAN EQUITY HOLDINGS



Developed Markets (Europe Australasia and Far East) (EAFE)

The Plan's EAFE equity portfolio represents 20.3% or $401 million of the total Plan investments at December 31, 2008, down from 21.0% or $523 million the previous year. 68% of the EAFE equity exposure is actively-managed and the remaining 32% is passively-managed.

The Plan's actual loss from EAFE equity investments in 2008 was 32.5%, 2.7% more than the benchmark loss of 29.8% based on the MSCI EAFE Index in Canadian dollars. Again, this net value (2.7%) loss largely reflects the exposure to credit in AIMCo's internal strategies.

	Actual Return	Benchmark MSCI EAFE Index	Net Value Added (Lost)
Europe, Australasia, Far East	%	%	%
One year	(32.5)	(29.8)	(2.7)
Four year	(2.2)	(2.1)	(0.1)

Emerging Markets

The Plan's externally-managed Emerging Market portfolio represents 2.1% or $41 million of total Plan investments at December 31, 2008, compared to 3.0% or $76 million the previous year.

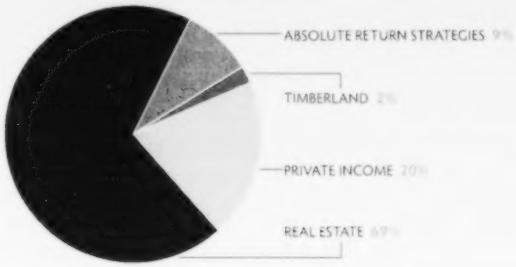
The Emerging Market mandate lost 45.6% in 2008, 3.4% more than the benchmark loss of 42.2% based on the MSCI Emerging Markets Free Index Net in Canadian dollars. The loss here reflects poor returns by external managers partly owing to above-benchmark exposure to commodity markets. Most active managers had a difficult time beating the Index in 2008.

	Actual Return	Benchmark Index MSCI Emerging Markets Free Index Net	Net Value Added (Lost)
Emerging Markets	%	%	%
One year	(45.6)	(42.2)	(3.4)
Four year	2.0	4.3	(2.3)

Alternative Investments

The Plan's alternative investment portfolio makes up 15.1% or $298 million of the Plan's total investments, compared to 9.0% or $226 million at the beginning of the year. Alternative investments consist of real estate (69%), private income securities (20%), timberland (2%) and absolute return strategies (hedge funds) (9%).

ALTERNATIVE INVESTMENTS



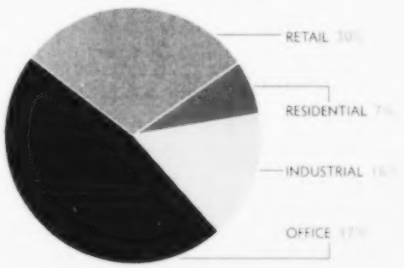
Real Estate

At December 31, 2008, real estate investments comprised 10.4% of total Plan investments or $205 million, compared to 6.5% or $162 million the previous year. Real estate investments are expected to provide protection from inflation while adding to the diversification of the Fund. The real estate portfolio includes a mix of office, retail, industrial and residential properties located in Ontario, Alberta, Quebec and British Columbia. The focus is on quality properties featuring strong locations and tenants.

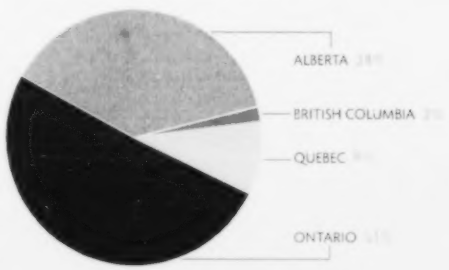
The Plan's actual return from real estate investments in 2008 was 5.5%, 2.4% better than the benchmark return of the Investment Property Databank (IPD) Large Institutional All Property Index of 3.1%.

	Actual Return	Benchmark Index IPD Large Institutional All Property Index	Net Value Added (Lost)
Real Estate	%	%	%
One year	5.5	3.1	2.4
Four year	19.1	14.1	5.0

REAL ESTATE BY SECTOR



REAL ESTATE BY PROVINCE



Private Income

Private income securities include infrastructure-related projects that are structured to yield high current income. At December 31, 2008, private income securities comprised 3.1% of total Plan investments, or $61 million compared to 2.1% or $53 million at the end of the previous year.

In 2008, private income investments gained 18.8%, 10.8% better than the benchmark return of 8.0%.

	Actual Return	Benchmark Index Consumer Price Index (CPI) Plus 6%	Net Value Added (Lost)
Private Income	%	%	%
One year	18.8	8.0	10.8
Four year	20.3	8.0	12.3

Timberland

The timberland investment includes forestry land in Canada and globally. The investment in Canada represents an interest in a limited partnership which holds forestry land and land held for higher and better use in the Province of British Columbia. Timberland investments remained unchanged at $6 million in 2008.

The timberland investment lost 8.7% in 2008, 14.7% less than the benchmark gain of 6.0%. In comparison, in 2007, it had a return of 59%, a gain of 52.6% over the benchmark.

	Actual Return*	Benchmark Index Consumer Price Index (CPI) Plus 4%	Net Value Added (Lost)
Timberland	%	%	%
One year	(8.7)	6.0	(14.7)

** four year returns not applicable as investment started in 2005*

Absolute Return Strategies

Absolute return strategies (hedge funds) comprise 1.3% of the Plan's total investment portfolio or $26 million at December 31, 2008 compared to 0.2% or $5 million at the end of the previous year. This class of investment encompasses a wide variety of strategies with the objective of realizing positive returns regardless of the overall market direction. Absolute return strategies include hedge fund strategies such as convertible arbitrage, distressed securities, event driven, equity market neutral and merger arbitrage.

The hedge fund investment lost 27.2% in 2008, 2.9% more than the benchmark loss of 24.3%.

	Actual Return*	Benchmark Index HFRX Global Hedged Index	Net Value Added (Lost)
Hedge Funds	%	%	%
One year	(27.2)	(24.3)	(2.9)

** four year returns not applicable as investment started in 2007*

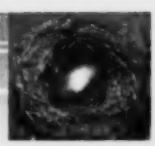


TABLE OF INVESTMENT RETURNS

	ANNUAL RETURNS				ANNUALIZED	
	2008	2007	2006	2005	4yr	8yr
	%	%	%	%	%	%
Total Fund	**(20.4)**	**1.7**	**15.2**	**14.4**	**1.6**	**2.5**
Policy Return	*(17.9)*	*0.7*	*14.5*	*13.4*	*1.8*	*2.4*
Consumer Price Index (A)	*1.2*	*2.4*	*1.6*	*2.2*	*1.8*	*2.0*
Total Fixed Income	(1.1)	2.3	1.7	14.2	4.1	6.9
Combined Benchmarks (B)	*2.9*	*2.9*	*1.2*	*14.2*	*5.2*	*7.8*
Short-term fixed income	7.1	10.2	4.2	2.8	6.0	4.6
DEX 91-Day T-Bill Index	*3.3*	*4.4*	*4.0*	*2.6*	*3.6*	*3.3*
Universe Bonds	5.0	2.7	n/a	n/a	n/a	n/a
DEX Universe Bond Index	*6.4*	*3.7*	*n/a*	*n/a*	*n/a*	*n/a*
Long Duration Bonds	(4.2)	2.1	4.8	13.8	3.9	n/a
DEX Long Bond Index	*2.7*	*3.4*	*4.1*	*13.8*	*5.9*	*n/a*
Real Return Bonds	1.0	1.7	(2.9)	15.2	3.6	7.3
DEX Real Return Bond Index	*0.4*	*1.6*	*(2.9)*	*15.2*	*3.4*	*7.3*
Total Canadian Equities	(33.8)	11.2	18.4	24.4	2.1	2.9
Combined Benchmarks (C)	*(34.1)*	*9.1*	*17.3*	*23.7*	*1.1*	*1.9*
Canadian Large Cap Equities	(32.6)	10.8	17.6	24.7	2.3	n/a
S&P/TSX Composite Index	*(33.0)*	*9.8*	*17.3*	*24.1*	*1.7*	*n/a*
Canadian Small Cap Equities	(43.0)	13.4	13.4	23.0	(2.5)	n/a
BMO Small Cap Blended Index	*(46.6)*	*2.0*	*16.6*	*19.7*	*(6.6)*	*n/a*
United States Equities	(28.6)	(11.0)	15.7	3.1	(6.7)	(6.1)
Combined Benchmarks (D)	*(21.8)*	*(11.1)*	*15.8*	*2.1*	*(4.8)*	*(5.2)*
US Large Cap	(30.0)	(12.5)	15.8	1.9	(7.8)	n/a
S&P 500 Index	*(21.9)*	*(10.6)*	*15.7*	*1.6*	*(4.8)*	*n/a*
US Small Cap	(20.9)	(2.3)	14.6	9.4	(0.8)	n/a
Russell 2500 Index	*(21.7)*	*(14.0)*	*16.1*	*4.7*	*(4.9)*	*n/a*
Europe, Australasia and Far East	(32.5)	(4.0)	26.4	11.8	(2.2)	(2.4)
MSCI EAFE Index	*(29.8)*	*(5.7)*	*26.3*	*10.0*	*(2.1)*	*(2.6)*
Emerging Markets	(45.6)	16.6	31.0	30.4	2.0	6.2
MSCI Emerging Markets Free Index Net	*(42.2)*	*18.5*	*32.5*	*30.3*	*4.3*	*7.0*
Real Estate	5.5	21.0	21.3	29.9	19.1	n/a
IPD Large Institutional All Property Index	*3.1*	*16.0*	*18.6*	*19.4*	*14.1*	*n/a*
Private Income	18.8	15.3	24.9	22.5	20.3	n/a
CPI plus 6% (E)	*8.0*	*8.4*	*7.4*	*8.0*	*8.0*	*n/a*
Timberland	(8.7)	59.0	n/a	n/a	n/a	n/a
CPI plus 4% (E)	*6.0*	*6.4*	*n/a*	*n/a*	*n/a*	*n/a*
Hedge Funds	(27.2)	n/a	n/a	n/a	n/a	n/a
HFRX Global Hedged Index	*(24.3)*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*

(A) The Consumer Price Index (CPI) is reported on a December to December basis.
(B) Includes the DEX 91-Day T-Bill Index, DEX Universe Bond Index, DEX Long Bond Index and the DEX Real Return Bond Index.
(C) Includes the S&P/TSX Composite Index and the BMO Small Cap Blended Index.
(D) Includes S&P 500 Index and the Russell 2500 Index.
(E) The CPI is calculated using November to November data as December data is not released in time for AIMCo's reporting.

ADMINISTRATION REPORT

The Board is responsible for the operation and administration of the UAPP. This includes the collection of member data and contributions, the calculation and payment of pensions and other benefits, and the communication of pension information to members, pensioners and employers. The 2008 results in these areas are as follows.

Active Membership & Contributions

Active membership in the UAPP increased by 4.9% in 2008, rising to 7,345 at December 31, 2008 from 7,002 at the end of 2007. As a result of increased membership and salaries, total contributions received from employers, employees and the Province of Alberta grew by 3.2%, to $142.2 million in 2008 from $137.8 million in 2007. The difference in the rates of growth between the membership and contributions partly reflects the 1% rate reduction in required contributions in January 2008.

Pensioners & Benefit Payments

The number of former employees and their spouses receiving a pension from the UAPP increased by 5.0%, rising to 3,468 in 2008 from 3,302 in 2007. During the year, the total payments to pensioners rose by 6.6% (2007: 7.0%), to $139.3 million from $130.7 million in 2007. Pensioners were granted a cost-of-living increase of 2.94% effective January 1, 2008. The most popular pension choice among the new retirees with a spouse continues to be a Joint Life with a 10-year guarantee.

Terminated and Deferred Members

Termination benefits amounting to $15.7 million (2007 $14.7 million) were paid during the year to or on behalf of former members of the UAPP. The number of members who terminated their employment with a UAPP employer, but had not made a choice regarding their benefit, climbed to 1,159 at the end of 2008 from 1,083 in 2007.

Plan Expenses

In 2008, the UAPP's general plan expenses amounted to $1.8 million ($154 per member) compared to $1.6 million ($147 per member) in 2007. The main source of this increase is the higher fees charged by third party services providers.

PARTICIPATION

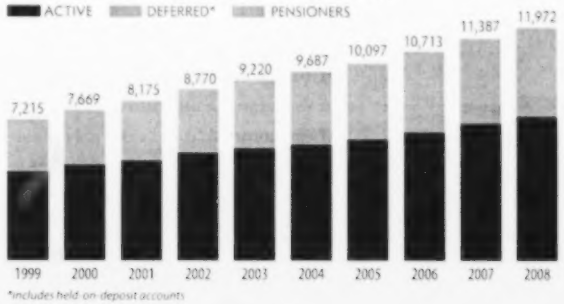
	2008	2007
Active Members	7,345	7,002
Deferred Members*	1,159	1,083
Pensioners	3,468	3,302
TOTAL	11,972	11,387

*includes held-on-deposit accounts

NEW PENSIONERS

	2008	2007
Normal Retirements	90	35
Early Retirements	90	125
Pensions to Surviving Spouses	2	6
TOTAL	182	166

GROWTH OF MEMBERS AND PENSIONERS



*includes held-on-deposit accounts

NEW PENSIONER RETIREMENT CHOICES

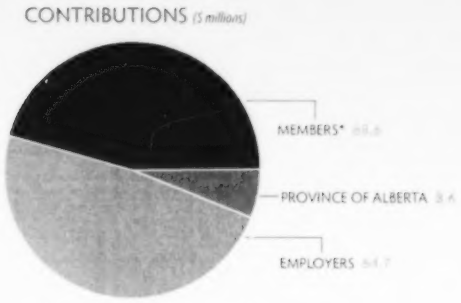
DURING 2008

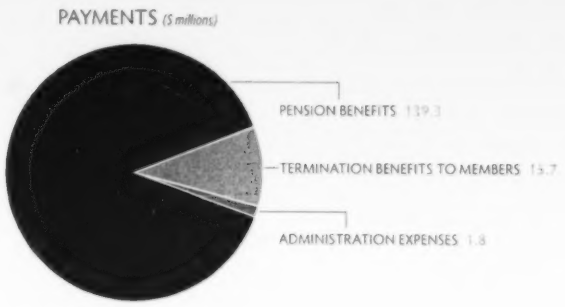
	2008	2007
Single life – with or without guarantee	33	53
Joint life – 2/3 spouse, no guarantee	30	26
Joint life – 2/3 spouse, 10-year guarantee	44	37
Joint life – 100% spouse, no guarantee	17	20
Joint life – 100% spouse, 10-year guarantee	58	30
Total	182	166

MONTHLY PAYMENT DISTRIBUTION

AS AT DECEMBER 31, 2008

Dollar value ($) per month	Member Pensions	Spouse's Pensions	Total
1 to 999	340	18	358
1,000 to 1,999	414	41	455
2,000 to 2,999	553	30	583
3,000 to 3,999	689	25	714
4,000 to 4,999	652	8	660
5,000 to 5,999	453	3	456
6,000 and over	241	1	242
Total	3,342	126	3,468





* members' contributions include prior service contributions

Plan Communications

Member Handbooks were updated and distributed in January 2008, and Communiqués were issued quarterly to update members and employers on topical subjects related to pensions. In addition, members were provided with a personal annual statement in May giving the details of their entitlements to the end of 2007.

Plan members and others are visiting the UAPP website in increasing numbers. Just over 88,500 hits were made on the site in 2008, compared to around 77,000 hits in 2007. Popular subjects of interest included "What's New", Member Handbook, Information Sheets, the Annual Report and the quarterly Communiqué. The Trustees' Office also receives comments and questions from members who use the Feedback feature on the website.

Plan members continue to make use of the call center for pension-related information. In 2008, there were over 1,700 calls handled by the call center. Plan members are continuing to access the Retirement Planner.

Other Developments in 2008

- Professional Staff of the Association of Academic Staff University of Alberta began participating in the Plan on January 1, 2008.
- In response to poor investment returns in 2008, the Board, as an interim step pending further assessment, increased contribution rates required under the UAPP by a total of 3.0% of salary to improve the Plan's financial position. The new contribution rates shown below come into effect July 1, 2009.

	Universities of Alberta, Calgary & Lethbridge		Athabasca University & The Banff Centre	
Salary Portion	Employee	Employer	Employee	Employer
On earnings up to YMPE	9.77%	9.77%	9.27%	10.27%
On earnings in excess of YMPE up to pensionable salary cap	12.71%	12.71%	12.21%	13.21%
On earnings in excess of pensionable salary cap	0.87%	0.87%	0.87%	0.87%

- To assess the financial position of the Plan, the Board is undertaking an actuarial valuation of the Plan as at December 31, 2008. The results of the valuation will assist the Board in determining whether further contribution increases are required.
- The agreement with the pension benefits administration services provider, Buck Consultants, an ACS Company, sets out very specific performance targets for providing quality services to UAPP members. Performance standards and results of direct interest to members are as follows:

Responsibilities	Service Level Standards	2008 Results
Time to answer calls	80% of calls answered within 20 seconds with a call abandonment rate below 5%	95% of calls answered within 20 seconds with a call abandonment rate of 1.1%
Escalated calls and voice mails	Answered within 1 business day	91% of calls answered within 1 business day
Emails	Answered within 2 business days	100% of emails answered within 2 business days
Written enquiries	Answered within 5 business days	100% of written enquiries answered within 5 business days
Statement of options on termination	5 business days from receipt of all required information	98% of options on termination issued within 5 business days from receipt of all required information
Statement of options on retirement	5 business days from receipt of all required information	99% of options on retirement issued within 5 business days from receipt of all required information
Statement of options on death	5 business days from receipt of all required information	100% of options on death issued within 5 business days from receipt of all required information
MPO* estimate requests	5 business days from receipt of all required information	65% of MPO estimates issued within 5 business days from receipt of all required information
MPO final calculations	10 business days from receipt of all required information	100% of MPO final calculations issued within 10 business days from receipt of all required information
MPO payment authorization	3 business days from receipt of all required information	100% of all MPO payment authorizations issued within 3 business days from receipt of all required information

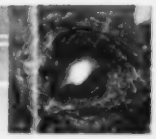
Matrimonial Property Order

- As a result of the PricewaterhouseCoopers administration review of the UAPP, the Board issued papers clarifying the roles of the various parties involved in the administration of the UAPP, and created the Pension Benefits Administration User Group to facilitate interaction amongst these parties.

The Year Ahead

Key plans for 2009 include:

- Expanding access to the Retirement Planner for members using browsers other than Internet Explorer.
- Instituting a pensioner verification process.
- Setting up member surveys to assess and compile member feedback.
- Offering all employers member information seminars.



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the 2008 Annual Report are the responsibility of management and have been approved by the Board of Trustees.

The financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2008 Annual Report that relates to the operations and financial position of the Universities Academic Pension Plan is consistent with that in the financial statements.

Alberta Investment Management Corporation (AIMCo), acting in the capacity of investment manager, and Buck Consultants, an ACS Company and CIBC Mellon, acting in the capacity of pension administrators, maintain systems of internal control, including written policies, standards and procedures and formal authorization structures.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are adequately accounted for and safeguarded.

The Audit Committee assists the Board of Trustees in discharging its responsibility to approve the annual financial statements. The Committee meets regularly with both management and external auditors to review the scope and timing of the audit as well as to review any internal control or financial issues and their resolution. The Committee reviews the annual financial statements and recommends them to the Board of Trustees for approval.

KPMG LLP (KPMG), the Plan's external auditor, provides an independent audit of operations, investments, and financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow them to report on the fairness of the financial statements. KPMG has full and unrestricted access to discuss the audit and related findings regarding the integrity and financial reporting and the adequacy of internal controls.

Virendra Gupta
Executive Director
Universities Academic Pension Plan

Dave Schnore
Director, Finance and Administration
Universities Academic Pension Plan

AUDITORS' REPORT

To the Board of Trustees of the Universities Academic Pension Plan

We have audited the statement of net assets and accrued pension liability of the Universities Academic Pension Plan (the Plan) as at December 31, 2008 and the statements of changes in net assets available for benefits, changes in accrued pension liability and changes in actuarial deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and accrued pension liability of the Plan as at December 31, 2008 and the changes in net assets, accrued pension liability and actuarial deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Edmonton, Canada
February 20, 2009

STATEMENT OF NET ASSETS AND ACCRUED PENSION LIABILITY

AS AT DECEMBER 31

	2008	2007
	($ thousands)	
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 1,972,309	$ 2,501,485
Accrued investment income and accounts receivable	2,407	530
Contributions receivable		
Employers	5,636	5,503
Employees	5,763	5,621
Province of Alberta	963	904
	1,987,078	2,514,043
Liabilities		
Accounts payable and accrued liabilities	549	4,086
Net assets available for benefits	1,986,529	2,509,957
Actuarial adjustment for fluctuation in fair value of net assets (Note 9)	198,700	17,500
Actuarial value of net assets available for benefits (Note 9)	2,185,229	2,527,457
Actuarial deficiency (Note 9)	1,055,471	535,843
Accrued pension liability (Note 9)	**$ 3,240,700**	**$ 3,063,300**

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31

	2008	2007
	($ thousands)	
Contributions		
Current and optional service		
Employers	$ 58,557	$ 54,443
Employees	62,472	60,384
Additional contributions to meet pre-1992 unfunded liability		
Employers	6,156	7,413
Employees	6,156	7,413
Province of Alberta	8,846	8,128
	142,187	137,781
Other income		
Net investment income (loss) (Note 6)	(508,763)	41,917
Payments		
Pension benefits	(139,332)	(130,682)
Termination benefits	(15,722)	(14,705)
Plan expenses (Note 7)	(1,798)	(1,626)
	(156,852)	(147,013)
Increase (decrease) in net assets	(523,428)	32,685
Net assets available for benefits at beginning of year	2,509,957	2,477,272
Net assets available for benefits at end of year	**$ 1,986,529**	**$ 2,509,957**

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF CHANGES IN ACCRUED PENSION LIABILITY

FOR THE YEAR ENDED DECEMBER 31

	2008			2007
	Pre-1992	Post-1991	Total	Total
		($ thousands)		($ thousands)
Increase in accrued pension liability				
Interest accrued on liability	$ 113,100	$ 99,800	$ 212,900	$ 199,600
Benefits earned	-	113,100	113,100	100,300
Actuarial assumption changes	-	-	-	143,700
Net experience loss	3,200	8,400	11,600	19,700
Cost-of-living experience loss	-	-	-	36,000
	116,300	221,300	337,600	499,300
Decrease in accrued pension liability				
Benefits paid, including interest	114,000	46,200	160,200	150,200
Net increase in accrued pension liability	2,300	175,100	177,400	349,100
Accrued pension liability at beginning of year	1,687,400	1,375,900	3,063,300	2,714,200
Accrued pension liability at end of year (Note 9)	**$ 1,689,700**	**$ 1,551,000**	**$ 3,240,700**	**$ 3,063,300**

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF CHANGES IN ACTUARIAL DEFICIENCY

FOR THE YEAR ENDED DECEMBER 31

	2008			2007
	Pre-1992	Post-1991	Total	Total
		($ thousands)		($ thousands)
Actuarial deficiency at beginning of year	$ 501,300	$ 34,543	$ 535,843	$ 409,128
Decrease (increase) in net assets available for benefits	327,558	195,870	523,428	(32,685)
Net change in actuarial adjustment for fluctuation in fair value of net assets	(78,721)	(102,479)	(181,200)	(189,700)
Net increase in accrued pension liability	2,300	175,100	177,400	349,100
Actuarial deficiency at end of year	**$ 752,437**	**$ 303,034**	**$ 1,055,471**	**$ 535,843**

The accompanying notes and schedules are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

Effective January 1, 2001 the Universities Academic Pension Plan (the Plan) became a non-statutory pension plan subject to and registered under the *Employment Pension Plans Act* of Alberta. The Plan is also registered under the *Income Tax Act*. The Plan's registration number is 0339572. The Plan now operates under a Sponsorship and Trust Agreement signed by the Plan Sponsors. A complete description of the Plan can be found in the Sponsorship and Trust Agreement. The Board of Trustees appointed by Plan Sponsors is responsible for administration of the Plan. The summary description of the Plan described below applies to members who contribute to the Plan on or after January 1, 2001.

a) General

The Plan is a contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. In addition, employees of the Board of Trustees, the professional staff of the University of Calgary Faculty Association and the Association of Academic Staff University of Alberta also participate in the Plan.

b) Funding Policy

Contributions and investment earnings are expected to fund all benefits payable under the Plan. Employees and employers are responsible for fully funding service after 1991.

The unfunded liability for service prior to January 1, 1992 is financed by additional contributions from the Province of Alberta, employers and employees. These contribution rates are set on the basis that the additional contributions will eliminate the pre-1992 service unfunded liability on or before December 31, 2043. The Province pays 1.25% of salary and the balance of the required contributions is equally split between employees and employers.

Under the Employment Pension Plans Amendment Regulation 245/2003 (Order in Council 357/203), the Plan is exempt from funding solvency deficiencies effective January 1, 2003 in respect of all service.

The Board of Trustees, in consultation with the Plan's actuary, reviews the contribution rates at least once every three years.

Effective January 1, 2008, employees of the Universities of Alberta, Calgary and Lethbridge, employees of the Board of Trustees, and professional staff of the University of Calgary Faculty Association and the Association of Academic Staff University of Alberta contribute at the rate of 8.27% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE), 11.21% on pensionable salary above the YMPE and up to the pensionable salary cap, and 0.87% on earnings above the pensionable salary cap. Employers contribute at the same rate as employees.

Employees of Athabasca University and The Banff Centre contribute at the rate of 7.77% of pensionable salaries up to the YMPE and 10.71% on pensionable salary above the YMPE and up to the pensionable salary cap. Employers contribute at a rate 1.0% higher than employees. In addition, employees and employers provide equal matching contributions of 0.87% on earnings above the pensionable salary cap.

Effective July 1, 2009, contribution rates for employees of the Universities of Alberta, Calgary and Lethbridge, employees of the Board of Trustees, and the professional staff of the University of Calgary Faculty Association and the Association of Academic Staff University of Alberta, shall increase to 9.77% of pensionable salary up to the YMPE, 12.71% on pensionable salary above the YMPE and up to the pensionable salary cap, and 0.87% on earnings above the pensionable salary cap. Employers contribute at the same rate as employees.

Also effective July 1, 2009, contribution rates for employees of Athabasca University and The Banff Centre shall increase to 9.27% of pensionable salaries up to the YMPE and 12.21% on pensionable salary above the YMPE and up to the pensionable salary cap. Employers contribute at a rate 1.0% higher than employees. In addition, employees and employers provide equal matching contributions of 0.87% on earnings above the pensionable salary cap.

c) Retirement Benefits

The Plan provides for a pension based upon the average salary of the highest five consecutive years. For service before 1994, the pension is 2% for each year of pensionable service. From January 1, 1994, the Plan's benefits and contributions were integrated with the Canada Pension Plan. As a result, pensions for service after 1993 are reduced at age 65. The reduction is 0.6% of the average YMPE for the same five years as used in calculating the average salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years.

Members are entitled to an unreduced pension for service before 1994 if they have attained age 55 and have at least two years of membership.

Members are entitled to an unreduced pension for service after 1993 if they have either attained age 60 and have at least two years of membership or have attained age 55 and the sum of their age and years of membership equals at least 80.

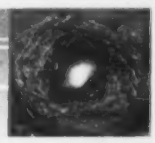
Members are entitled to a reduced pension for service after 1993 if they have attained age 55 and have at least two years of membership.

Members who become disabled and have at least two years of membership and are not in receipt of benefits from an approved disability plan are eligible to apply for a disability pension.

d) Death Benefits

Death benefits are payable on the death of a member. If the member had at least two years of membership, a surviving spouse may choose to receive a pension based on total service or a lump sum payment. For a beneficiary other than a spouse, or where membership is less than two years, a lump sum payment must be paid.

...continued on page 26



Note 1 Summary Description of the Plan, continued...

e) Termination Benefits

Members who terminate with two or more years of membership and are not immediately entitled to a pension may elect to receive a deferred pension or a lump sum refund.

Refunds on service performed before 1994 equal employee and employer contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds on service performed after 1993 equal 1.75 times employee contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds are subject to the Plan's lock-in provisions and excess contribution rules.

Members with less than two years of membership are entitled to a refund of their own contributions plus interest.

f) Disability Benefits

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the Plan.

g) Optional Service Transfers

Leaves of absence which are purchased before April 30th following a return to work are costed based on the contributions which would have been paid during the leave period plus interest. All other optional service purchases are costed on an actuarial reserve basis and are cost neutral to the Plan. Funds related to the transfer of service to other plans are based on the regular termination benefits.

h) Cost-of-Living Adjustments

Pensions payable are increased each year on January 1st by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the twelve-month period ending on October 31st in the previous year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

Except for real rate of return bonds which are held directly by the Plan, Plan investments are held in pooled investment funds established and administered by Alberta Investment Management Corporation (AIMCo), a provincial crown corporation reporting to the Minister of Finance and Enterprise. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

b) Valuation of Assets and Liabilities

Investments are recorded in the financial statements at fair value.

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

For private investments and timberland investments, the fair value is based on estimates where quoted market prices are not readily available. Estimated fair values may not reflect amounts that could be realized upon immediate sale, or amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

i) Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

ii) Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

iii) The fair value of private income investments is estimated by managers or general partners of private income funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and multiple earnings analyses.

iv) The fair value of real estate investments is reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows.

v) The fair value of timberland investments is appraised annually by independent third party valuators.

vi) The fair values of deposits, receivables, accrued investment income and accounts payable and accrued liabilities are estimated to approximate their book values.

c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the Plan's funded status, asset values are adjusted for fluctuations in fair values. The valuation method recognizes the amount by which actual market returns differ from assumed investment returns. Under this method, asset values are calculated based on what the asset value would be at the valuation date had the assets earned precisely the rate of return assumed in the

actuarial valuation. This calculation is carried out independently at each of two starting points, namely the market value as at each of the two calendar year-ends preceding the valuation date. These two calculated values, together with the market value as at the valuation date, are averaged to determine the actuarial value of assets with a constraint limiting the actuarial value not to exceed 110% or fall below 90% of net assets available for benefits.

d) Income Recognition

Investment income and expenses are recognized on an accrual basis. Dividends are accrued on the ex-dividend date. Gains or losses on investments, including those from derivative contracts, are recognized concurrently with changes in fair value.

e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange. At the year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts, credit default swaps, cross-currency interest rate swaps and swap option contracts. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

i) Equity and bond index swaps are valued based on changes in the appropriate market index net of accrued floating rate interest.

ii) Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and year-end exchange rates.

iii) Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

iv) Forward foreign exchange contracts and futures contracts are based on quoted market prices.

v) Options to enter into interest rate swap option contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap.

g) Measurement Uncertainty

In preparing these financial statements, management is required to make estimates and assumptions in circumstances where actual values are unknown. These estimates and assumptions affect the amounts reported in the financial statements. Actual results may materially differ from the estimates used (see Note 2(b) and Note 9(b)).

NOTE 3 INVESTMENTS (SCHEDULES B TO F)

a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.

b) The Canadian Dollar Long Bond Pool (CDLBP) and the Universe Fixed Income Pool (UFIP) are managed with the objective of providing competitive returns comparable to the total returns of the DEX Universe Bond Index and DEX Long Term Bond Index respectively over a four-year period while maintaining adequate security and liquidity of participants' capital. The UFIP portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives while the CDLBP portfolio invests only in high quality fixed income instruments. Competitive returns are achieved through management of the portfolio duration and sector rotation.

c) Real Rate of Return Bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the DEX Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals and specialty mortgages. The Pool invests primarily in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage and geographic location.

e) The Currency Alpha Pool is managed with the objective of providing a fair return over a four-year period while reducing return volatility through multiple manager investment styles and strategies. The return is achieved through active currency management with currency positions established primarily through forward foreign exchange contracts.

f) The Overlay Strategy Pools provide participants with a quick, effective and efficient way to gain interim exposure to a major asset class by altering the portfolio weights of broad asset classes using synthetic instruments. The asset classes that can be replicated in the overlay program include fixed income securities, Canadian equities, US equities, EAFE equities, major foreign currencies and styles and sectors. At December 31, 2008, the overlay strategy pools consisted of cash and cash equivalents which support approximately 5% to 10% of the Pool's notional exposure through futures and swap contracts.

g) The Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Small Cap Pool is restricted to investing in publicly traded Canadian equities with a market capitalization of up to 0.15% of the Toronto Stock Exchange S&P/TSX Composite Index total market capitalization at time of purchase. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period while reducing return volatility through multiple manager investment styles and unique market capitalization focus.

...continued on page 28

NOTE 3 INVESTMENTS (SCHEDULES B TO F)

	2008 Fair Value ($ thousands)	%	2007 Fair Value ($ thousands)	%
Fixed Income Securities (Schedule B)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 8,712	0.4	$ 18,135	0.8
Canadian Dollar Long Bond Pool (b)	287,328	14.6	324,949	13.0
Universe Fixed Income Pool (b)	14,864	0.8	46,305	1.8
Real Rate of Return Bonds (c)	154,682	7.8	211,448	8.4
Private Mortgage Pool (d)	84,930	4.3	79,076	3.2
Currency Alpha Pool (e)	1,809	0.1	1,170	-
Fixed Income Overlay Strategy Pool (f)	(48,921)	(2.5)	-	-
Tactical Asset Allocation Pool	1,039	0.1	4,011	0.2
	504,443	25.6	685,094	27.4
Canadian Equities (Schedule C)				
Canadian Large Cap Equity Pool (g)	139,368	7.1	194,226	7.7
Canadian Small Cap Equity Pool (g)	29,383	1.5	51,539	2.1
Canadian Multi-Cap Pool (h)	79,855	4.0	120,611	4.8
Canadian Structured Equity Pool (i)	80,833	4.1	125,407	5.0
Private Equity Pool	-	-	1,521	0.1
Canadian Overlay Strategy Pool (f)	19,241	1.0	-	-
	348,680	17.7	493,304	19.7
United States Equities (Schedule D)				
US Structured Equity Pool (j)	312,059	15.8	420,970	16.8
US Small-mid Cap Equity Pool (k)	60,851	3.1	76,903	3.1
US Overlay Strategy Pool (f)	5,937	0.3	-	-
	378,847	19.2	497,873	19.9
Non-North American Equities (Schedule E)				
EAFE Active Equity Pool (l)	273,725	13.8	396,624	15.9
Emerging Markets Equity Pool (m)	41,211	2.1	75,739	3.0
EAFE Structured Equity Pool (n)	89,932	4.6	126,958	5.1
EAFE Overlay Strategy Pool (f)	37,110	1.9	-	-
	441,978	22.4	599,321	24.0
Alternative Investments - Equities				
Private Income Pools (o)	60,829	3.1	52,944	2.1
Timberland Pool (p)	6,246	0.3	6,225	0.2
Absolute Return Strategies Pool (q)	26,416	1.3	5,159	0.2
	93,491	4.7	64,328	2.6
Real Estate (Schedule F)				
Private Real Estate Pool (r)	204,870	10.4	161,565	6.5
Total equities	1,467,866	74.4	1,816,391	72.6
Total investments	**$ 1,972,309**	**100.0**	**$ 2,501,485**	**100.0**

Note 3 Investments continued...

h) The Canadian Multi-Cap Pool consists of a single portfolio with multiple components. The large cap component is internally managed and provides exposure to the Canadian equity market through structured investments replicating the S&P/TSX 60 Index. The small-mid cap component is comprised of investments in the External Managers Canadian Multi-Cap Pool. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

i) The Canadian Structured Equity Pool is managed on a passive approach with the objective of providing investment returns comparable to the total return of the S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index.

j) The US Structured Equity Pool is passively managed. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index. The Pool utilizes synthetic replication strategies through futures, swaps and other structured investments to obtain exposure to the benchmark. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

k) The US Small-mid Cap Equity Pool consists of multiple portfolios of publicly traded United States equities which are actively managed by an external manager with expertise in the US small-mid cap equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 Index over a four-year period while reducing return volatility.

l) The EAFE (Europe, Australasia and Far East) Active Equity Pool consists of multiple portfolios of publicly traded non-North American equities. Portfolios are actively managed by external managers with European and Pacific Basin mandates. The performance objective is to provide higher than the total return of the Morgan Stanley Capital International (MSCI) EAFE Index over a four-year period.

m) The Emerging Markets Equity Pool consists of publicly traded equities in emerging markets around the world. The portfolio is actively managed by external managers with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Index (MSCI) Emerging Markets Free Net (EMF) Index over a four-year period.

n) The performance objective of the EAFE Structured Equity Pooled Fund is to provide returns comparable to the total return of the MSCI EAFE Index over a four-year period. The Pool provides exposure to foreign markets in Europe, Australasia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

o) The Private Income Pools are managed with the objective of providing investment returns comparable to the Consumer Price Index plus 6% over the long term. The Pools invest in infrastructure-related projects that are structured to yield high current income.

p) The Timberland Pool provides high current income and long investment horizons. The timberland investment is a partnership in forestry land in British Columbia. The performance objective is to earn a return higher than CPI plus 4.0%.

q) The Absolute Return Strategies Pool is managed with the objective of providing investment returns comparable to the HFRX Global Investable Index. The Pool is intended to yield absolute positive investment returns with lower volatility using various investment strategies.

r) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank (IPD) Large Institutional All Property Index over the long term. Real estate is held through intermediary companies which have issued to the Pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The Pool is intended to provide diversification from the securities market.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Long-term real rate of returns expected to be earned on investments is the key assumption in calculating the actuarial liabilities of the Plan. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established the following long-term policy asset mix for investments:

Fixed income	25.0%
Canadian equities	19.5%
US equities	19.0%
Non-North American equities	21.5%
Real estate	8.0%
Private income	4.0%
Absolute return strategies	2.0%
Timberland	1.0%

Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. A credit default swap allows counter-parties to buy and sell protection on credit risk inherent in a bond. A premium is paid, based on a notional amount from one counter-party to a second counter-party in exchange for a contingent payment should a defined credit event occur with respect to the underlying security. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of the specified index.

Swap option contracts include the right, but not the obligation, to enter into an interest rate swap at a preset rate within a specified period of time.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2008.

	2008					2007	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value *	Notional Amount	Net Fair Value *
	%			($ thousands)		($ thousands)	
Equity index swap contracts	94	6	-	$ 560,797	$ 4,923	$ 721,813	$ (9,869)
Interest rate swap contracts	15	63	22	192,472	(11,030)	143,423	(1,894)
Cross-currency interest rate swap	20	67	13	150,393	(5,106)	174,373	6,208
Forward foreign exchange contracts	100	-	-	133,461	(7,925)	124,084	(202)
Futures contracts	100	-	-	87,107	11,894	138,180	3,121
Credit default swap contracts	27	44	29	62,118	(3,864)	108,824	(523)
Bond index swaps	100	-	-	1,012	27	80,657	2,770
Swap option contracts	-	-	-	-	-	26,505	5
				$ 1,187,360	$ (11,081)	$ 1,517,859	$ (384)

** The method of determining fair value of derivative contracts is described in Note 2(e).*

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties with good credit standing.

NOTE 6 NET INVESTMENT INCOME (LOSS)

a) Investment Income (Loss)

Net investment income (loss) is comprised of the following:

	2008	2007
	($ thousands)	
Net realized and unrealized gains (losses) on investments, including those arising from derivative transactions	$ (599,191)	$ (56,357)
Interest income	60,425	70,220
Dividend income	25,311	26,806
Real estate income	9,305	6,125
Securities lending income	1,984	1,123
	(502,166)	47,917
Investment expenses	(6,597)	(6,000)
Net investment income (loss)	$ (508,763)	$ 41,917

The following is a summary of the Plan's proportionate share of net investment income (loss) by type of investments:

	2008	2007
	($ thousands)	
Private Income	$ 12,067	$ 7,158
Private Real Estate	10,037	26,875
Timberland	(917)	2,478
Fixed Income Securities	(6,954)	14,930
Absolute Return Strategies	(7,401)	(17)
US Equities	(149,042)	(54,011)
Canadian Equities	(161,963)	53,878
Non-North American Equities	(204,590)	(9,374)
	$ (508,763)	$ 41,917

The following is a summary of the investment performance results attained by the Plan:

	One-Year Return	Four-Year Compound Annualized Return	Eight-Year Compound Annualized Return	Fifteen-Year Compound Annualized Return
Time-weighted rates of return*				
Actual gain (loss)	(20.4%)	1.6%	2.5%	6.1%
*Policy Benchmark gain (loss)***	*(17.9%)*	*1.8%*	*2.4%*	*6.2%*
Value added (lost) from active management	(2.6%)	(0.1%)	0.1%	(0.1%)

* *The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains and losses (realized and unrealized).*

** *The policy benchmark is a product of the weighted average policy sector weights and sector returns.*

b) Investment Expenses

Investment expenses are recognized on an accrual basis and include those costs and fees incurred to earn investment income of the Plan. The Plan recognizes portfolio management and administration expenses incurred directly by the Plan and its share of expenses through pooled investment funds. Investment services provided directly by AIMCo are charged directly to the Plan and to pooled funds on a cost recovery basis. Investment services provided by external managers are charged to pooled funds based on a percentage of net assets under management at fair value or committed amounts. Fees charged by external managers include primarily regular management fees and performance/incentive based fees to the extent recognized.

Investment services include daily trading of securities, portfolio research and analysis, custody of securities, valuation of securities, performance measurement, maintenance of investment systems and internal audit. Alberta Finance and Enterprise provides investment accounting and reporting for the Plan and treasury management services.

Investment expenses as a percentage of net assets are provided below:

	2008	2007
	($ thousands)	
Total investment expenses	6,597	6,000
Investment expenses as a percentage of net assets	0.33%	0.24%

Investment management costs totalling $479 (2007 $547) were paid to AIMCo on a cost recovery basis. Pooled funds management and associated custodial fees totalling $6,118 (2007 $5,453), which have been deducted in arriving at the calculation of net investment income of the Pools are excluded from Plan expenses.

NOTE 7 PLAN EXPENSES

	2008	2007
	($ thousands)	
General Plan costs	$ 1,798	$ 1,626

General Plan costs, including the costs for benefit administration and delivery, amounted to $154 per member (2007 $147 per member).

NOTE 8 DECLINE IN FAIR VALUE OF INVESTMENTS

The fair value of the Plan's investments is subject to significant market volatility due to the current crisis in the global economy. In the two months subsequent to December 31, 2008, the Plan's investments declined by approximately 8.3% to approximately $1,809,000 from $1,972,309 at December 31, 2008. To the extent that investments of the Plan may not recover these market-related losses during the remaining ten months of 2009, the deficiency of the Plan will increase.

NOTE 9 ACCRUED PENSION LIABILITY

a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2006 by the Plan's actuarial consultants, Mercer, and was then extrapolated to December 31, 2008.

The actuarial liabilities were determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Board of Trustees adopted this best estimate.

The major assumptions used were:

	2008 Extrapolation %	2006 Valuation and 2007 Extrapolation %
Asset real rate of return		
Next 3 years	3.00	3.00
Thereafter	4.00	4.00
Inflation rate		
Next 3 years	3.70	3.70
Thereafter	2.70	2.70
Investment return (discount rate)	6.70	6.70
Salary escalation rate *		
Next 3 years	6.00	6.00
Thereafter	3.00	3.00
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.00	60.00

** In addition to merit and promotion*

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued pension liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting actuarial deficiency as at December 31, 2008 allocated between the pre-1992 and post-1991 periods:

	2008			2007
	Pre-1992	Post-1991	Total	Total
		($ thousands)		($ thousands)
Fair value of net assets	$ 851,763	$ 1,134,766	$ 1,986,529	$ 2,509,957
Actuarial adjustment for fluctuation in fair value of net assets	85,500	113,200	198,700	17,500
Actuarial value of net assets available for benefits	937,263	1,247,966	2,185,229	2,527,457
Accrued pension liability	1,689,700	1,551,000	3,240,700	3,063,300
Actuarial deficiency	**$ 752,437**	**$ 303,034**	**$ 1,055,471**	**$ 535,843**

The Plan's unfunded liability for service prior to January 1, 1992 is currently being financed by additional contributions of 1.25% of salaries by the Province of Alberta with employers and employees equally sharing the balance of the contributions of 1.74% of salaries as required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows the present value of the Province of Alberta's obligation for future additional contributions was $213.9 million at December 31, 2006.

The Plan's unfunded liability for service after December 31, 1991 is currently being financed by special payments of 1.08% of salaries shared equally between employers and employees until December 31, 2021.

The additional contributions and special payments have been included in the rates in effect at December 31, 2008 (see Note 1(b)).

b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and may materially affect the financial position of the Plan.

	Changes in Assumptions %	Sensitivities Increase in Plan's Actuarial Deficiency ($ thousands)	Increase in Current Service Cost as a % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0	$ 204,400	1.0
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0	63,500	0.7
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0)	420,700	3.5

** The current service cost as a % of pensionable earnings as determined by the December 31, 2006 valuation is 16.82%.*

NOTE 10 REMUNERATION OF BOARD MEMBERS

Remuneration rates as approved by Plan Sponsors are as follows:

Remuneration rates effective April 1, 2008	Chair	Trustee
Up to 4 hours	$ 210	$ 157
4 to 8 hours	367	278
Over 8 hours	576	409

During the year, the following amounts were paid:	2008	2007
Remuneration		
Chair	$ 2,690	$ 4,918
Trustees (8)	33,218	23,259
Travel expenses		
Chair	998	2,184
Trustees (8)	24,919	18,034

Trustees are paid for attending and preparing for Board and Committee meetings and for time spent on specified UAPP business upon the approval of the Board. Preparation time for a meeting is remunerated at no more than 4 hours.

NOTE 11 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with the 2008 presentation.

NOTE 12 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Trustees of the Plan.

SCHEDULE A
SCHEDULE OF INVESTMENT RETURNS
FOR PERIODS ENDING DECEMBER 31

The Plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns and the relevant benchmarks for the Plan for the one- four- and eight -year periods ending December 31 are as follows:

	One Year Return				Compound Annualized Return	
	2008	2007	2006	2005	4 Year	8 Year
Time-weighted rates of return						
Short-term fixed income	**7.1**	**10.2**	**4.2**	**2.8**	**6.0**	**4.6**
DEX 91-Day T-Bill Index	*3.3*	*4.4*	*4.0*	*2.6*	*3.6*	*3.3*
Long-term fixed income	**(1.6)**	**2.1**	**4.2**	**13.8**	**4.5**	**6.9**
Long-term Fixed Income Index (1)	*3.7*	*2.9*	*3.5*	*13.8*	*6.1*	*7.8*
Real rate of return bonds	**1.0**	**1.7**	**(2.9)**	**15.2**	**3.6**	**7.3**
DEX Real Return Bond Index	*0.4*	*1.6*	*(2.9)*	*15.2*	*3.4*	*7.3*
Total fixed income	**(1.1)**	**2.3**	**1.7**	**14.2**	**4.1**	**7.1**
Fixed Income Index	*2.9*	*2.9*	*1.2*	*14.2*	*5.2*	*7.5*
Canadian equities	**(33.8)**	**11.2**	**18.4**	**24.4**	**2.1**	**2.9**
Canadian Equity Index (2)	*(34.1)*	*9.1*	*17.3*	*23.7*	*1.1*	*1.9*
United States equities	**(28.6)**	**(11.0)**	**15.7**	**3.1**	**(6.7)**	**(6.1)**
US Equity Index (3)	*(21.8)*	*(11.1)*	*15.8*	*2.1*	*(4.8)*	*(5.2)*
Europe, Australasia and Far East	**(32.5)**	**(4.0)**	**26.4**	**11.8**	**(2.2)**	**(2.4)**
MSCI EAFE Index	*(29.8)*	*(5.7)*	*26.3*	*10.0*	*(2.1)*	*(2.6)*
Emerging Markets	**(45.6)**	**16.6**	**31.0**	**30.4**	**2.0**	**6.2**
MSCI Emerging Markets Free index Net	*(42.2)*	*18.5*	*32.5*	*30.3*	*4.3*	*7.0*
Total foreign equities	**(31.6)**	**(5.8)**	**22.0**	**9.0**	**(3.8)**	**(3.2)**
Foreign Equity Index (4)	*(26.8)*	*(6.6)*	*22.1*	*7.9*	*(2.6)*	*(2.9)*
Real Estate	**5.5**	**21.0**	**21.3**	**29.9**	**19.1**	**n/a**
IPD Large All Property Index	*3.1*	*16.0*	*18.6*	*19.4*	*14.6*	*n/a*
Private Income	**18.8**	**15.3**	**24.9**	**22.5**	**20.3**	**n/a**
CPI plus 6%	*8.0*	*8.4*	*7.4*	*8.0*	*8.0*	*n/a*
Timberland	**(8.7)**	**59.0**	**n/a**	**n/a**	**n/a**	**n/a**
CPI plus 4%	*6.0*	*6.4*	*n/a*	*n/a*	*n/a*	*n/a*
Absolute Return Strategies	**(27.2)**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
HFRX Global Hedged Index	*(24.3)*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
Total Alternative investments	**9.3**	**18.8**	**22.6**	**18.3**	**17.1**	**n/a**
CPI plus 6%	*8.0*	*8.4*	*7.4*	*8.0*	*8.0*	*n/a*
Overall	**(20.4)**	**1.7**	**15.2**	**14.4**	**1.6**	**2.5**
Policy Benchmark	***(17.9)***	***0.7***	***14.5***	***13.4***	***1.8***	***2.4***

(1) DEX Long Bond and Universe Bond indices.
(2) S&P/TSX Capped Composite and Bank of Montreal Small Cap indices.
(3) S&P 500 and Russell 2500 indices.
(4) S&P 500, Russell 2500, MSCI EAFE and MSCI Emerging Markets Free indices.

SCHEDULE B
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN FIXED INCOME SECURITIES

AS AT DECEMBER 31

	Plan's Share	
	2008	2007
	($ thousands)	
Deposits and Short-term Securities	$ 18,062	$ 22,662
Fixed Income Securities (a) (b)		
Government of Canada, direct and guaranteed	119,803	246,646
Provincial		
Alberta, direct	4	14
Other provincial, direct and guaranteed	135,471	192,389
Municipal	11,629	18,012
Corporate, public and private	216,777	200,064
	483,684	657,125
Receivable from sale of investments and accrued investment income	5,498	5,618
Accounts payable and accrued liabilities	(2,761)	(311)
	2,697	5,307
	$ 504,443	$ 685,094

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in Government of Canada bonds includes the notional amount of Canada bond futures contracts totalling $54,196 (2007 $nil).

(b) Fixed income securities held as at December 31, 2008 had an average effective market yield of 4.6% per annum (2007: 4.1%). The following term structure of these securities as at December 31, 2008 is based on the principal amount.

	2008	2007
	%	
under 1 year	1	1
1 to 5 years	6	4
5 to 10 years	5	17
11 to 20 years	20	24
over 20 years	68	54
	100	100

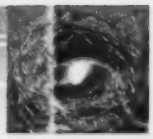
SCHEDULE C
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN CANADIAN EQUITIES

AS AT DECEMBER 31

	Plan's Share	
	2008	2007
	($ thousands)	
Deposits and Short-term Securities	$ 10,043	$ 6,928
Public Equities (a) (b)		
Consumer Discretionary	28,756	36,442
Consumer Staples	15,653	16,530
Energy	86,887	117,543
Financials	90,275	138,465
Health Care	2,195	2,379
Industrials	30,230	40,733
Information Technology	10,591	24,114
Materials	49,216	72,570
Telecommunications	20,197	26,790
Utilities	6,668	6,557
	340,668	482,123
Pooled investment funds	83	452
Private Equity Pool	-	1,521
Receivable from sale of investments and accrued investment income	8,621	6,313
Accounts payable and accrued liabilities	(10,735)	(4,033)
	(2,114)	2,280
	$ 348,680	$ 493,304

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in Canadian public equities includes the notional amount of Canadian equity index swaps and futures contracts totalling $144,987 (2007 $183,715).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard and Poor's Toronto Stock Exchange S&P/TSX Composite Index.



SCHEDULE D
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN UNITED STATES EQUITIES
AS AT DECEMBER 31

	Plan's Share	
	2008	2007
	($ thousands)	
Deposits and Short-term Securities	$ 4,447	$ 6,952
Public Equities (a) (b)		
Consumer Discretionary	32,633	45,672
Consumer Staples	43,388	46,782
Energy	45,403	59,390
Financials	53,368	87,470
Health Care	55,500	62,033
Industrials	44,199	59,271
Information Technology	58,596	82,655
Materials	13,447	20,195
Telecommunications	13,089	16,487
Utilities	16,709	20,003
	376,332	499,958
Pooled investment funds	296	1,288
Receivable from sale of investments and accrued investment income	2,266	2,282
Accounts payable and accrued liabilities	(4,494)	(12,607)
	(2,228)	(10,325)
	$ 378,847	$ 497,873

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investments in United States public equities includes the notional amount of US equity index swaps and futures contracts totalling $317,238 (2007 $331,033).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.

SCHEDULE E
SCHEDULE OF EFFECTIVE NET INVESTMENT IN NON-NORTH AMERICAN EQUITIES
AS AT DECEMBER 31

	Plan's Share	
	2008	2007
	($ thousands)	
Deposits and Short-term Securities	$ 11,234	$ 11,136
Public Equities (a) (b)		
Consumer Discretionary	37,903	62,443
Consumer Staples	44,896	38,909
Energy	39,533	49,032
Financials	84,655	124,402
Health Care	43,650	37,424
Industrials	45,501	80,150
Information Technology	24,611	37,416
Materials	26,978	48,542
Telecommunications	39,229	46,022
Utilities	22,816	26,770
	409,772	551,110
Pooled investment funds	20,568	40,588
Receivable from sale of investments and accrued investment income	4,356	3,973
Accounts payable and accrued liabilities	(3,952)	(7,486)
	404	(3,513)
	$ 441,978	$ 599,321

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in non-North American public equities includes the notional amount of EAFE equity index swap and futures contracts totalling $125,756 (2007 $132,092).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index. The following is a summary of the Plan's share of non-North American public equities by country based on geographic location of stock exchange on which stocks were purchased:

	Plan's Share	
	2008	2007
	($ thousands)	
Japan	$ 95,660	$ 96,714
United Kingdom	79,835	105,039
France	44,998	57,127
Germany	33,472	52,726
Switzerland	31,549	36,515
Australia	17,946	23,596
Spain	17,943	21,305
Italy	13,398	18,238
Netherlands	12,773	22,908
Hong Kong	8,659	11,833
Other	53,539	105,109
	$ 409,772	$ 551,110

SCHEDULE F
SCHEDULE OF INVESTMENTS IN REAL ESTATE
AS AT DECEMBER 31

	Plan's Share	
	2008	2007
	($ thousands)	
Deposits and Short-term Securities	$ 448	$ 179
Real Estate (a)		
Office	92,205	72,310
Retail	59,303	50,875
Industrial	32,095	23,340
Residential	12,467	8,939
	196,070	155,464
Pooled investment funds	6,949	5,845
Accrued income and accounts receivable	1,403	77
	$ 204,870	$ 161,565

(a) The following is a summary of the Plan's investment in real estate by geographic locations:

	Plan's Share	
	2008	2007
	($ thousands)	
Ontario	$ 100,522	$ 83,900
Alberta	74,291	54,994
Quebec	17,016	13,323
British Columbia	4,241	3,247
	$ 196,070	$ 155,464

GLOSSARY – TERMS

ABSOLUTE RETURN STRATEGIES/HEDGE FUNDS
Encompass a wide variety of investments and trading strategies in private and publicly traded securities with the objective of realizing positive returns independent of market direction. Investments in absolute return strategies are made through fund-of-funds and specific fund investments to increase strategy diversification.

ACTIVE MANAGEMENT
Managing the investments of a portfolio with the objective of outperforming the return of its benchmark. Active management generally takes two forms – security selection or change in asset allocations within the prescribed ranges. Security selection is the buying and selling of particular securities to earn a return above a market index. Asset allocation refers to changing asset class or sector weights to earn a return above what would be available from maintaining the asset class or sector weight in the benchmark.

ASSET MIX/ALLOCATION
The allocation of a pension fund's investments among various asset classes such as bonds, equities, real estate, etc.

BENCHMARK
A standard against which investment performance is measured.

BONDS
Certificates of indebtedness issued by corporations, municipalities or governments on which the issuer promises to pay a specified amount of interest for a specified length of time and to repay the loan on maturity or the expiration date. A bond purchaser is lending money to the issuer. Bonds have terms to maturity greater than one year.

EMERGING MARKET
An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece, and Brazil.

EQUITIES/COMMON STOCK
Units of ownership of a corporation where owners typically are entitled to vote on the selection of directors and other important matters as well as to receive dividends on their holdings. In the event that a corporation is liquidated, the claims of secured and unsecured creditors and owners of bonds and preferred stock take precedence over the claims of those who own common stock. The liability of owners of equity is limited to the amount paid for the stock.

GLOSSARY – TERMS

EXTERNAL MANAGER
A third-party firm contracted by the Investment Manager to provide investment management services.

LARGE CAP
"Large cap" refers to firms with large market capitalization. Market capitalization is simply the market value of a corporation's outstanding shares. In the US market, this refers to companies with market capitalization between $10 billion and $200 billion. These are the mega companies of the financial world: ExxonMobil, Microsoft, Citigroup, Wal-Mart and General Electric. Classifications such as "large cap" or "small cap" are only approximations that change over time.

PASSIVE MANAGEMENT
Managing the investments of a portfolio with the objective of matching/replicating the performance of a given market index or benchmark.

POLICY BENCHMARK/RETURN
The Policy Benchmark is a composite return based on the percentage of a pension plan's fund allocated by policy to each asset class and the market index return for that class. It is used to measure the plan's relative performance.

POOLED FUND
A fund in which money from two or more investors is accepted for investment and where units allocated to each investor serve to establish the proportionate interest at any time of each investor in the assets of the fund.

PRIVATE INCOME/INFRASTRUCTURE
Private Income opportunities represent privately-negotiated investments in private and publicly traded entities. These investments are selected, structured and managed to provide 1) a current income component of total return, 2) diversification and 3) an inflation hedge. These investment opportunities are typically capital-intensive and may include infrastructure projects (long-life assets used to provide essential services), bridge loans and corporate finance arrangements (with a current income component of total return). Most infrastructure assets are illiquid assets.

REAL RETURN BOND
A fixed-income security (a bond) that generates a specified real rate of return. The real interest rate is the nominal (set) interest rate minus inflation.

GLOSSARY – TERMS

SMALL CAP
"Small cap" refers to firms with relatively smaller market capitalization. Though there is no rigorous definition, in the US, a company with a market capitalization of between $300 million and $2 billion is considered a small cap. The definition can change over time.

STATEMENT OF INVESTMENT POLICIES AND GOALS
A comprehensive statement by the Board outlining the asset mix of the Fund, the allowable range for each asset class and the benchmarks for measuring performance.

SWAP
A privately-negotiated contract between two parties to exchange a stream of periodic payments on certain dates in the future based on an underlying investment. The size of these payments is normally determined in relation to a nominal, underlying amount, called the notional amount. The underlying security, representing the notional amount, is not exchanged between counterparties. Swaps available in and between all financial markets include, but are not exclusive to, equities, currencies, fixed income and commodities.

TIMBERLAND
Timberland investments are made primarily in privately-owned areas of woodland; that is, forested areas consisting of both hardwood and softwood species. When responsibly managed, timberland investments are a renewable and sustainable resource. Timberland investments are illiquid assets.

TOTAL RETURN
Interest income plus price increases or decreases.

TREASURY BILL/T-BILL
A short-term government debt security.

UNFUNDED LIABILITY
When the actuarial valuation determines that a pension fund's accrued liabilities exceed the assets available for the payment of benefits.

YMPE (YEAR'S MAXIMUM PENSIONABLE EARNINGS)
The maximum earnings set each year by the Canada Pension Plan (CPP) up to which employers and employees are required to make CPP contributions.

The YMPE for recent years is shown below:

2004	$ 40,500	2007	$ 43,700
2005	$ 41,100	2008	$ 44,900
2006	$ 42,100	2009	$ 46,300

GLOSSARY – INDICES

BMO SMALL CAP BLENDED INDEX
An index maintained by BMO Nesbitt Burns that is made up of 400 representative Canadian public companies and income trusts with market capitalizations of less than 0.1% of the S&P/TSX Composite total capitalization. This index is market capitalization weighted.

CONSUMER PRICE INDEX (CPI)
The Consumer Price Index (CPI) is an indicator of the prices encountered by consumers. It is obtained by calculating, on a monthly basis, the cost of a fixed "basket" of commodities purchased by a typical consumer during a given month. The CPI is published by Statistics Canada and is a widely used indicator of inflation (or deflation) in Canada.

DEX 91-DAY T-BILLS INDEX
An index maintained by PC Bond that represents the performance of Government of Canada 91-day Treasury Bills.

DEX LONG BOND INDEX
An index maintained by PC Bond that tracks the performance of most marketable, domestically issued, Canadian bonds with terms to maturity of more than 10 years. This index is comprised of Canada's, provincial, municipal and AAA-through BBB-rated corporate issuers.

DEX LONG GOVERNMENT BOND INDEX
An index maintained by PC Bond that tracks the performance of bonds issued by the government of Canada (including crown corporations), provincial governments (including provincially guaranteed securities) and municipal governments with terms to maturity of more than 10 years.

DEX REAL RETURN BOND INDEX
An index maintained by PC Bond that tracks the performance of real return (inflation-linked) bonds issued in Canada with terms to maturity of more than one year and a minimum credit rating of BBB (low).

DEX UNIVERSE BOND INDEX
An index maintained by PC Bond that tracks the performance of most marketable, domestically issued, Canadian bonds with terms to maturity of more than one year. This index is comprised of Canada's, provincial, municipal and AAA-through BBB-rated corporate issuers.

ICREIM/IPD LARGE INSTITUTIONAL ALL PROPERTY INDEX
An index maintained by the Institute of Canadian Real Estate Fund Managers/International Property Databank that measures the total return from the six largest Canadian peer funds, which individually have real estate portfolios valued greater than $1.5 billion.

MSCI EAFE (MORGAN STANLEY CAPITAL INTERNATIONAL – EUROPE, AUSTRALASIA, FAR EAST)
An index maintained by the MSCI Index Committee that is designed to measure developed public market equity performance, excluding the US and Canada. As of June 2007, the MSCI EAFE Index consisted of 21 developed market country indices representing approximately 85% of the market value of securities listed in the included countries.

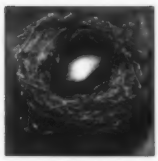
MSCI EMERGING MARKETS FREE INDEX NET
An index maintained by the MSCI Index Committee that is designed to measure emerging public market equity performance net of withholding taxes. As of January 2009, the MSCI Emerging Markets Free Index Net consisted of 23 emerging market country indices.

RUSSELL 2500 INDEX
An index maintained by the Frank Russell Company that measures the performance of the 2500 smallest companies in the Russell 3000. The Russell 2500 is taken to represent small and mid cap US equities.

S&P/TSX COMPOSITE CAPPED INDEX
An index maintained by the S&P/TSX Canadian Index Policy Committee that measures the return on the largest companies and trust units listed on the Toronto Stock Exchange. Any stock in the S&P/TSX Capped Composite Index whose float capitalization exceeds 10% of the Index is capped at 10% during the quarterly rebalancing process.

STANDARD & POOR'S 500 INDEX
An index maintained by the Standard & Poor's Index Committee that that includes a representative sample of 500 leading operating companies in the US economy to create a broad market portfolio representing approximately 75% of the market capitalization of US public equities.

2009 DIRECTORY



www.uapp.ca